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 June 30, 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	**76-0364866**
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	**(I.R.S. EMPLOYER IDENTIFICATION NO.)**
1300 WEST SAM HOUSTON PARKWAY SOUTH, SUITE 300, HOUSTON, TEXAS	**77042**
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	**(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 August 8, 2025, the number of shares outstanding (issued less treasury stock) of the registrant's common stock, par value $.01 per share, was: 15,204,119.

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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)

	June 30, 2025 (unaudited)	December 31, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	$ 34,086	$ 41,362
Patient accounts receivable, less provision for credit losses of $3,928 and $3,506, respectively	65,956	59,040
Accounts receivable - other	27,429	26,626
Other current assets	13,061	10,555
Total current assets	140,532	137,583
Fixed assets:		
Furniture and equipment	66,756	68,128
Leasehold improvements	55,218	51,105
Fixed assets, gross	121,974	119,233
Less accumulated depreciation and amortization	(89,853)	(87,093)
Fixed assets, net	32,121	32,140
Operating lease right-of-use assets	137,248	133,936
Investment in unconsolidated affiliate	12,320	12,190
Goodwill	677,595	667,152
Other identifiable intangible assets, net	175,627	179,311
Other assets	4,157	5,155
Total assets	$ 1,179,600	$ 1,167,467
LIABILITIES, REDEEMABLE NON-CONTROLLING INTEREST, USPH SHAREHOLDERS' EQUITY AND NON-CONTROLLING INTEREST		
Current liabilities:		
Accounts payable - trade	$ 4,200	$ 5,936
Accrued expenses	65,436	59,513
Current portion of operating lease liabilities	41,038	39,835
Current portion of term loan and notes payable	8,168	10,999
Total current liabilities	118,842	116,283
Notes payable, net of current portion	321	903
Revolving facility	24,500	11,000
Term loan, net of current portion and deferred financing costs	127,093	130,627
Deferred taxes	34,402	29,465
Operating lease liabilities, net of current portion	104,279	101,868
Other long-term liabilities	4,571	18,275
Total liabilities	414,008	408,421
Redeemable non-controlling interest - temporary equity	263,298	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, 17,418,856 and 17,309,120 shares issued, respectively	172	172
Additional paid-in capital	294,636	290,321
Accumulated other comprehensive gain	1,214	2,799
Retained earnings	236,356	227,265
Treasury stock at cost, 2,214,737 shares	(31,628)	(31,628)
Total USPH shareholders' equity	500,750	488,929
Non-controlling interest - permanent equity	1,544	1,092
Total USPH shareholders' equity and non-controlling interest - permanent equity	502,294	490,021
Total liabilities, redeemable non-controlling interest, USPH shareholders' equity and non-controlling interest - permanent equity	$ 1,179,600	$ 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		Six Months Ended	
	June 30, 2025	June 30, 2024	June 30,2025	June 30, 2024
Net patient revenue	$ 164,183	$ 140,271	$ 316,730	$ 271,346
Other revenue	33,161	26,919	64,402	51,519
Net revenue	197,344	167,190	381,132	322,865
Operating cost:				
Salaries and related costs	113,788	96,334	225,037	190,065
Rent, supplies, contract labor and other	34,127	30,335	67,971	58,319
Depreciation and amortization	5,741	4,299	11,281	8,197
Provision for credit losses	1,995	1,717	3,843	3,344
Clinic closure costs - lease and other	69	643	311	677
Total operating cost	155,720	133,328	308,443	260,602
Gross profit	41,624	33,862	72,689	62,263
Corporate office costs	17,476	14,249	33,721	28,334
(Gain) loss on change in fair value of contingent earn-out consideration	(790)	4,046	(5,612)	3,434
Operating income	24,938	15,567	44,580	30,495
Other income (expense):				
Interest expense, debt and other	(2,422)	(1,980)	(4,701)	(3,948)
Interest income from investments	28	1,074	52	2,617
Change in revaluation of put-right liability	(339)	(223)	(743)	(303)
Equity in earnings of unconsolidated affiliate	401	248	794	519
Loss on sale of a partnership	-	-	(123)	-
Other	47	109	122	171
Total other expense	(2,285)	(772)	(4,599)	(944)
Income before taxes	22,653	14,795	39,981	29,551
Provision for income taxes	4,933	3,083	8,793	6,222
Net income	17,720	11,712	31,188	23,329
Less: Net income attributable to non-controlling interest:				
Redeemable non-controlling interest - temporary equity	(3,914)	(3,314)	(5,926)	(5,541)
Non-controlling interest - permanent equity	(1,413)	(892)	(2,970)	(2,236)
	(5,327)	(4,206)	(8,896)	(7,777)
Net income attributable to USPH shareholders	$ 12,393	$ 7,506	$ 22,292	$ 15,552
Basic and diluted earnings per share attributable to USPH shareholders	$ 0.58	$ 0.47	$ 1.38	$ 0.93
Shares used in computation - basic and diluted	15,197	15,072	15,165	15,044
Dividends declared per common share	$ 0.45	$ 0.44	$ 0.90	$ 0.88

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		Six Months Ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Net income	$ 17,720	$ 11,712	$ 31,188	$ 23,329
Other comprehensive (loss) gain:				
Unrealized (loss) gain on cash flow hedge	(798)	(31)	(2,129)	1,750
Tax effect at statutory rate (federal and state)	204	8	544	(447)
Comprehensive income	$ 17,126	$ 11,689	$ 29,603	$ 24,632
Comprehensive income attributable to non-controlling interest	(5,327)	(4,206)	(8,896)	(7,777)
Comprehensive income attributable to USPH shareholders	$ 11,799	$ 7,483	$ 20,707	$ 16,855

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)

	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
OPERATING ACTIVITIES		
Net income including non-controlling interest	$ 31,188	$ 23,329
Adjustments to reconcile net income including non-controlling interest to net cash provided by operating activities:		
Depreciation and amortization	11,924	8,609
Provision for credit losses	3,843	3,344
Equity-based awards compensation expense	3,888	3,916
Amortization of debt issue costs	210	210
Change in deferred income taxes	7,279	770
Change in revaluation of put-right liability	743	303
Change in fair value of contingent earn-out consideration	(5,612)	3,434
Equity of earnings in unconsolidated affiliate	(794)	(519)
Loss on sale of fixed assets	438	51
Loss on sale of a partnership	123	-
Changes in operating assets and liabilities:		
Patient accounts receivable,net	(10,232)	(5,110)
Accounts receivable - other	355	(2,351)
Other current and long term assets	(4,426)	(1,642)
Accounts payable and accrued expenses	(7,914)	(1,481)
Other long-term liabilities	(827)	548
Net cash provided by operating activities	30,186	33,411
INVESTING ACTIVITIES		
Purchase of fixed assets	(5,830)	(4,174)
Purchase of majority interest in businesses, net of cash acquired	(6,890)	(38,695)
Purchase of redeemable non-controlling interest, temporary equity	(8,427)	(6,230)
Purchase of non controlling interest, permanent equity	(149)	(527)
Proceeds from the sale of non-controlling interest, permanent equity	9	26
Proceeds from the sale of partnership interest - redeemable non-controlling interest, temporary equity	15	69
Repayment of notes receivable related to redeemable non-controlling interest	346	375
Proceeds from the sale of partnership	700	-
Distributions from unconsolidated affiliate	664	532
Other	228	(131)
Net cash (used in) investing activities	(19,334)	(48,755)
FINANCING ACTIVITIES		
Proceeds from revolving facility	73,500	-
Payments on revolving facility	(60,000)	-
Distributions to non-controlling interest, permanent and temporary equity	(10,697)	(8,318)
Cash dividends paid to shareholders	(13,678)	(13,264)
Payments on term loan	(5,625)	(1,875)
Principal payments on notes payable	(1,628)	(1,113)
Net cash (used in) financing activities	(18,128)	(24,570)
Net (decrease) in cash and cash equivalents	(7,276)	(39,914)
Cash and cash equivalents - beginning of period	41,362	152,825
Cash and cash equivalents - end of period	$ 34,086	$ 112,911
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Income taxes	$ 9,833	$ 4,932
Interest paid	4,683	3,708
Non-cash investing and financing transactions during the period:		
Purchase of businesses - seller financing portion	-	955
Fair market value of initial contingent consideration related to purchase of businesses	3,059	2,800
Offset of notes receivable associated with purchase of redeemable non-controlling interest	254	75
Notes payable related to purchase of non-controlling interest, temporary equity	-	22
Notes payable related to purchase of redeemable non-controlling interest, temporary equity	89	-
Notes receivable related to sale of redeemable non-controlling interest, temporary equity	660	402
Notes receivable related to the sale of non-controlling interest, permanent equity	29	243

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)

For the three months ended June 30, 2025	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Gain	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Total Shareholders' Equity	Non-Controlling Interests	Total
Balance March 31, 2025	17,406	$ 172	$ 292,773	$ 1,783	$ 234,161	(2,215)	$ (31,628)	$ 497,261	$ 1,700	$ 498,961
Net income attributable to USPH shareholders	-	-	-	-	12,393	-	-	12,393	-	12,393
Net income attributable to non-controlling interest - permanent equity	-	-	-	-	-	-	-	-	1,413	1,413
Issuance of restricted stock, net of cancellations	13	-	-	-	-	-	-	-	-	-
Revaluation of redeemable non-controlling interest	-	-	-	-	(4,806)	-	-	(4,806)	-	(4,806)
Compensation expense - equity-based awards	-	-	1,975	-	-	-	-	1,975	-	1,975
Sale of non-controlling interest	-	-	(9)	-	-	-	-	(9)	-	(9)
Purchase of partnership interests - non-controlling interest	-	-	-	-	-	-	-	-	-	-
Dividends paid to USPH shareholders	-	-	-	-	(6,842)	-	-	(6,842)	-	(6,842)
Distributions to non-controlling interest partners - permanent equity	-	-	-	-	-	-	-	-	(1,578)	(1,578)
Deferred taxes related to redeemable non-controlling interest - temporary equity	-	-	-	-	1,439	-	-	1,439	-	1,439
Other comprehensive gain	-	-	-	(594)	-	-	-	(594)	-	(594)
Transfer of RNCI due to separation agreement	-	-	-	-	-	-	-	-	-	-
Other	-	-	(103)	25	11	-	-	(67)	9	(58)
Balance June 30, 2025	17,419	172	294,636	1,214	236,356	(2,215)	(31,628)	500,750	1,544	502,294

For the six months ended June 30, 2025	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Total Shareholders' Equity	Non-Controlling 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	-	-	-	-	22,292	-	-	22,292	-	22,292
Net income attributable to non-controlling interest - permanent equity	-	-	-	-	-	-	-	-	2,970	2,970
Issuance of restricted stock, net of cancellations	110	-	-	-	-	-	-	-	-	-
Revaluation of redeemable non-controlling interest, net of tax	-	-	-	-	(1,903)	-	-	(1,903)	-	(1,903)
Compensation expense - equity-based awards	-	-	3,706	-	-	-	-	3,706	-	3,706
Sale of non-controlling interest	-	-	(9)	-	-	-	-	(9)	-	(9)
Purchase of partnership interests - non-controlling interest	-	-	-	-	-	-	-	-	-	-
Dividends paid to USPH shareholders	-	-	-	-	(13,678)	-	-	(13,678)	-	(13,678)
Distributions to non-controlling interest partners - permanent equity	-	-	-	-	-	-	-	-	(2,565)	(2,565)
Deferred taxes related to redeemable non-controlling interest - temporary equity	-	-	-	-	2,375	-	-	2,375	-	2,375
Other comprehensive gain	-	-	-	(1,585)	-	-	-	(1,585)	-	(1,585)
Transfer of compensation liability for certain stock issued pursuant to long-term incentive plans	-	-	721	-	-	-	-	721	-	721
Transfer of RNCI due to separation agreement	-	-	-	-	-	-	-	-	-	-
Other	-	-	(103)	-	5	-	-	(98)	47	(51)
Balance June 30, 2025	17,419	172	294,636	1,214	236,356	(2,215)	(31,628)	500,750	1,544	502,294

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

For the three months ended June 30, 2024	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Gain	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Total Shareholders' Equity	Non-Controlling Interests	Total
Balance March 31, 2024	17,283	$ 172	$ 283,546	$ 4,108	$ 223,573	(2,215)	$ (31,628)	$ 479,771	$ 1,462	$ 481,233
Net income attributable to USPH shareholders	-	-	-	-	7,506	-	-	7,506	-	7,506
Net income attributable to non-controlling interest - permanent equity	-	-	-	-	-	-	-	-	892	892
Issuance of restricted stock, net of cancellations	8	-	-	-	-	-	-	-	-	-
Revaluation of redeemable non-controlling interest	-	-	-	-	(622)	-	-	(622)	-	(622)
Compensation expense - equity-based awards	-	-	1,919	-	-	-	-	1,919	-	1,919
Sale of non-controlling interest	-	-	2	-	-	-	-	2	-	2
Purchase of partnership interests - non-controlling interest	-	-	(5)	-	-	-	-	(5)	(18)	(23)
Dividends paid to USPH shareholders	-	-	-	-	(6,634)	-	-	(6,634)	-	(6,634)
Distributions to non-controlling interest partners - permanent equity	-	-	-	-	-	-	-	-	(1,291)	(1,291)
Deferred taxes related to redeemable non-controlling interest - temporary equity	-	-	-	-	(375)	-	-	(375)	-	(375)
Other comprehensive gain	-	-	-	(23)	-	-	-	(23)	-	(23)
Transfer of RNCI due to separation agreement	-	-	-	-	3,033	-	-	3,033	-	3,033
Other	-	-	-	(1)	1	-	-	-	(2)	(2)
Balance June 30, 2024	17,291	172	285,462	4,084	226,482	(2,215)	(31,628)	484,572	1,043	485,615

For the six months ended June 30, 2024	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Total Shareholders' Equity	Non-Controlling Interests	Total
Balance December 31, 2023	17,202	$ 172	$ 281,096	$ 2,782	$ 223,772	(2,215)	$ (31,628)	$ 476,194	$ 1,216	$ 447,410
Net income attributable to USPH shareholders	-	-	-	-	15,552	-	-	15,552	-	15,552
Net income attributable to non-controlling interest - permanent equity	-	-	-	-	-	-	-	-	2,236	2,236
Issuance of restricted stock, net of cancellations	89	-	-	-	-	-	-	-	-	-
Revaluation of redeemable non-controlling interest, net of tax	-	-	-	-	(2,061)	-	-	(2,061)	-	(2,061)
Compensation expense - equity-based awards	-	-	3,916	-	-	-	-	3,916	-	3,916
Sale of non-controlling interest	-	-	200	-	-	-		200	-	200
Purchase of partnership interests - non-controlling interest	-	-	(350)	-	-	-	-	(350)	(56)	(406)
Dividends paid to USPH shareholders	-	-	-	-	(13,264)	-	-	(13,264)	-	(13,264)
Distributions to non-controlling interest partners - permanent equity	-	-	-	-	-	-	-	-	(2,351)	(2,351)
Deferred taxes related to redeemable non-controlling interest - temporary equity	-	-	-	-	(550)	-	-	(550)	-	(550)
Other comprehensive gain	-	-	-	1,303	-	-	-	1,303	-	1,303
Transfer of compensation liability for certain stock issued pursuant to long-term incentive plans	-	-	600	-	-			600	-	600
Transfer of RNCI due to separation agreement	-	-	-	-	3,033			3,033	-	3,033
Other	-	-	-	(1)	-	-	-	(1)	(2)	(3)
Balance June 30, 2024	17,291	172	285,462	4,084	226,482	(2,215)	(31,628)	484,572	1,043	485,615

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, speech therapy and occupational therapy clinics and home-care physical and speech therapy practices that provide pre- and post-operative care and treatment for a variety of orthopedic-related disorders, 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.

The Company added six clinics and closed four clinics in the 2025 Second Quarter bringing its total owned and/or managed clinics to 768 as of June 30, 2025, compared to 722 as of June 30, 2024.

During the six months ended June 30, 2025, and for the year ended December 31, 2024, the Company completed the acquisitions of the following clinic practices and IIP businesses:

Schedule of Percentage Interest Acquired in Business

Acquisition	Date	% Interest Acquired	Number of Clinics
April 2025 Acquisition	April 30, 2025	40%*	**
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

* *On April 30,2025, the Company acquired an outpatient home care practice that provides speech and occupational therapy through its 50% owned subsidiary MSO Metro LLC. ("Metro"). After the transaction, the Company's ownership interest is 40%, the local partners have an ownership interest of 40% and the practice's preacquisition owners have a 20% ownership interest.*

** *Home-care business*

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

**** 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.

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.

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 and six months ended June 30, 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.

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 six 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.

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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 six months ending June 30, 2025, the Company sold interests in two partnerships, for an aggregate price of $0.1 million. During the year ended December 31, 2024, the Company sold interests in six partnerships for an aggregate price of $0.3 million.

During the six months ended, June 30, 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 15% to 35.0% and the aggregated purchase price for acquired non-controlling interests – permanent equity was $0.2 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 1.5% to 35.0% and the aggregated purchase price for acquired non-controlling interests – permanent equity was $0.8 million.

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, and home-care physical and speech therapy practices, 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 $2.3 million and $2.4 million for the three months ended June 30, 2025 and June 30, 2024, respectively, and was $4.8 million for both the six months ended June 30, 2025 and June 30, 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 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 and six months ended June 30, 2025, or June 30, 2024. The Company records any interest or penalties, if required, in interest and other expense, as appropriate.

On July 4, 2025, the President signed H.R. 1, the “One Big Beautiful Bill Act,” into law. The legislation includes several changes to federal tax law that generally allow for more favorable deductibility of certain business expenses beginning in 2025, including the reinstatement of 100% bonus depreciation. These changes were not reflected in the income tax provision for the period ended June 30, 2025, as enactment occurred after the balance sheet date. The Company is currently evaluating the impact on future periods.

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 June 30, 2025, the Company used a Monte Carlo simulation model utilizing unobservable inputs including asset volatility of 20.0% and a discount rate of 11.06%. The value of this put right increased $0.7 million for the six months ended June 30, 2025. The put right was valued at approximately $1.8 million on June 30, 2025, and approximately $1.0 million on December 31, 2024.

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 $14.8 million on June 30, 2025, and $17.6 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.

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 during the three and six months ended June 30, 2025.

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.

	Three Months Ended		Six Months Ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Earnings per Share	(In thousands, except per share data)		(In thousands, except per share data)	
Computation of earnings per share - USPH shareholders:				
Net income attributable to USPH shareholders	$ 12,393	$ 7,506	$ 22,292	$ 15,552
Charges to retained earnings:				
Revaluation of redeemable non-controlling interest	(4,806)	(622)	(1,903)	(2,061)
Tax effect at statutory rate (federal and state)	1,228	159	486	527
	$ 8,815	$ 7,043	$ 20,875	$ 14,018
Earnings per share (basic and diluted)	$ 0.58	$ 0.47	$ 1.38	$ 0.93
Shares used in computation:				
Basic and diluted earnings per share - weighted-average shares	15,197	15,072	15,165	15,044

3. Acquisitions of Businesses

The Company's strategy is to continue acquiring multi-clinic outpatient physical therapy practices and home-care physical and speech therapy practices, to develop outpatient physical therapy clinics as satellites in existing partnerships, and to continue acquiring companies that provide industrial injury prevention services. 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 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 six months ended June 30, 2025, the Company acquired a majority interest in the following businesses:

2025 Acquisitions

Acquisition	Date	% Interest Acquired	Number of Clinics
April 2025 Acquisition	April 30, 2025	40%	*
February 2025 Acquisition	February 28, 2025	65%	3

* *Home-care business*

The purchase price plus the fair value of the non-controlling interest for the acquisitions after June 30, 2024 was 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 June 30, 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.

On April 30, 2025, the Company acquired an outpatient home-care physical and speech therapy practice through its 50%-owned subsidiary, MSO Metro, LLC. ("Metro"). After the transaction, the Company's ownership interest is 40%, the local partners have an ownership interest of 40% and the practice's preacquisition owners have a 20% ownership interest. The purchase price for the 80% equity interest was approximately $2.3 million which was paid in cash. As part of this transaction, the Company agreed to additional consideration if future operational objectives are met. The maximum amount of additional contingent consideration due under this agreement is $1.8 million.

On February 28, 2025, the Company acquired 65% interest in a physical therapy 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 $0.6 million as of June 30, 2025.

Besides the multi-clinic acquisitions referenced above, the Company purchased the assets and business of four physical therapy clinics during 2025, 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	$ 6,890
Seller note	-
Deferred payments	-
Contingent payments	3,059
Total consideration	$ 9,949
Estimated fair value of net tangible assets acquired:	
Total current assets	$ 544
Total non-current assets	140
Total liabilities	(258)
Net tangible assets acquired	426
Customer and referral relationships	2,857
Non-compete agreement	158
Tradenames	672
Goodwill	8,551
Fair value of non-controlling interest (classified as redeemable non-controlling interest)	(2,715)
	$ 9,949

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 and six months ended June 30, 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 6.0 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 Metro pursuant to an 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. The Company 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 $8.7 million on June 30, 2025.

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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 $0.7 million on June 30, 2025.

On April 30, 2024 the Company acquired 100% of an IIP business ("April 2024 Acquisition"), 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 $1.8 million as of June 30, 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 $1.2 million on June 30, 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, the April 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	$ 110,009	$ 133,115
Seller note	455	1,220	1,675
Deferred payments	-	1,500	1,500
Contingent payments	2,100	15,571	17,671
Total consideration	$ 25,661	$ 128,300	$ 153,961
Estimated fair value of net tangible assets acquired:			
Total current assets	$ 1,132	$ 9,978	$ 11,110
Total non-current assets	563	30,382	30,945
Total liabilities	(463)	(29,152)	(29,615)
Net tangible assets acquired	1,232	11,208	12,440
Customer and referral relationships	6,500	53,097	59,597
Non-compete agreement	210	3,306	3,516
Tradenames	1,400	12,113	13,513
Goodwill	16,319	148,719	165,038
Fair value of non-controlling interest (classified as redeemable non-controlling interest)	-	(100,143)	(100,143)
	$ 25,661	$ 128,300	$ 153,961

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 12.6 years. For the non-compete agreements, the weighted-average amortization period is 5.8 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 June 30, 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 June 30, 2025, and December 31, 2024, the total assets of the Company's variable interest entities were $242.1 million and $231.3 million, respectively. As of June 30, 2025, and December 31, 2024, the total liabilities of the Company's VIEs were $38.1 million and $31.9 million respectively.

The table below presents the operating results of the VIEs.

	Three Months Ended June 30, 2025	Six Months Ended June 30, 2025
	(In thousands)	
Net revenue	$ 23,117	$ 42,923
Operating cost:		
Salaries and related costs	13,175	26,080
Rent, supplies, contract labor and other	4,461	8,578
Depreciation and amortization	1,727	2,914
Provision for credit losses	230	427
Total operating cost	19,593	37,999
Gross profit	3,524	4,924
Other expense	3	6
Provision for income taxes	182	182
Net income	$ 3,339	$ 4,736

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.

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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 six 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 later 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:

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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.

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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:

	Six Months Ended June 30, 2025	Year Ended December 31, 2024
	(In thousands)	
Beginning balance	$ 269,025	$ 174,828
Net income allocated to redeemable non-controlling interest partners	5,926	10,044
Distributions to redeemable non-controlling interest partners	(8,132)	(10,579)
Changes in the fair value of redeemable non-controlling interest	1,903	4,964
Purchases of redeemable non-controlling interest	(8,771)	(8,122)
Acquired interest	2,715	100,336
Sales of redeemable non-controlling interest	675	1,969
Changes in notes receivable related to redeemable non-controlling interest	(43)	(1,016)
Reduction due to separation agreement	-	(3,033)
Adjustments in notes receivables related to the sales of redeemable non-controlling interest	-	(366)
Ending balance	$ 263,298	$ 269,025

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

	Six Months Ended June 30, 2025	Year Ended December 31, 2024
	(In thousands)	
Contractual time period has lapsed but holder's employment has not terminated	$ 71,396	$ 74,668
Contractual time period has not lapsed and holder's employment has not terminated	191,902	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	-	-
	$ 263,298	$ 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 six months ended June 30, 2025.

6. Goodwill

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

	Six Months Ended June 30, 2025	Year Ended December 31, 2024
	(In thousands)	
Beginning balance	$ 667,152	$ 509,571
Acquisitions	8,551	164,529
Adjustments for purchase price allocation of businesses acquired in prior year	1,892	(6,551)
Other	-	(397)
Ending balance	$ 677,595	$ 667,152

For the three and six months ended June 30, 2025, and 2024, no triggering events or indicators were identified that would require impairment assessments as of such periods.

7. Intangible Assets

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

	June 30, 2025			December 31, 2024		
	Gross Amount	Accumulated Amortization	Net Carrying Amount	Gross Amount	Accumulated Amortization	Net Carrying Amount
	(In thousands)					
Customer and referral relationships	$ 158,474	$ (44,895)	$ 113,579	$ 156,747	$ (39,218)	$ 117,529
Tradenames	57,586	-	57,586	57,041	-	57,041
Non-compete agreements	13,369	(8,907)	4,462	13,077	(8,336)	4,741
	$ 229,429	$ (53,802)	$ 175,627	$ 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. 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		Six Months Ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
	(In thousands)			
Customer and referral relationships	$ 2,870	$ 2,066	$ 5,677	$ 3,884
Non-compete agreements	270	191	571	354
	$ 3,140	$ 2,257	$ 6,248	$ 4,238

Based on the balance of referral relationships and non-compete agreements as of June 30, 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 six months ended June 30, 2025)	$ 5,912	$ 562
2026	11,375	1,007
2027	11,212	881
2028	10,943	802
2029	10,565	629
Thereafter	63,572	581

8. Accrued Expenses

Accrued expenses consists of the following for the period presented.

	June 30, 2025	December 31, 2024
	(In thousands)	
Salaries and related costs	$ 31,559	$ 34,886
Credit balances due to patients and payors	6,985	6,359
Group health insurance claims	4,723	2,462
Federal income taxes payable	-	4,544
Contingent consideration payable	14,147	3,043
Other property taxes payable	564	371
Interest payable	378	402
Closure costs	2,085	2,828
Professional fees	1,249	860
Other	3,746	3,758
Total	$ 65,436	$ 59,513

9. Borrowings

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

	June 30, 2025			December 31, 2024		
	Principal Amount	Unamortized discount and debt issuance cost	Net Debt	Principal Amount	Unamortized discount and debt issuance cost	Net Debt
			(In thousands)			
Term Facility	$ 135,000	$ (830)	$ 134,170	$ 140,625	$ (1,049)	$ 139,576
Revolving Facility	24,500	-	24,500	11,000	-	11,000
Other	1,412	-	1,412	2,953	-	2,953
Total debt	160,912	(830)	160,082	154,578	(1,049)	153,529
Less: Current portion of long-term debt (1)	8,591	(423)	8,168	11,422	(423)	10,999
Long-term debt, net of current portion	$ 152,321	$ (407)	$ 151,914	$ 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 June 30, 2025, $135.0 million was outstanding on the Term Facility while $24.5 million was outstanding under the Revolving Facility resulting in $150.5 million of credit availability. As of June 30, 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 5.1% for the three months ended June 30, 2025, and 4.7% for the three months ended June 30, 2024, with an all-in effective interest rate, including all associated costs, of 5.6% and 5.4% over the same periods, respectively. The all-in effective interest rate on the Company's Senior Credit Facilities for the six months ended June 30, 2025 was 5.5% and 5.4% for the six months ended June 30, 2024.

The Company generally enters into various notes payable as a means of financing acquisitions. As of June 30, 2025, the Company's remaining outstanding balance on these notes amounted to $1.4 million, of which $0.3 million is due in 2025, $0.9 million is due in 2026, and $0.2 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		Six Months Ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
	(In thousands)			
Net income	$ 17,720	$ 11,712	$ 31,188	$ 23,329
Other comprehensive (loss) gain:				
Unrealized (loss) gain on cash flow hedge	(798)	(31)	(2,129)	1,750
Tax effect at statutory rate (federal and state)	204	8	544	(447)
Comprehensive income	17,126	11,689	29,603	24,632
Comprehensive income attributable to non-controlling interest	(5,327)	(4,206)	(8,896)	(7,777)
Comprehensive income attributable to USPH shareholders	$ 11,799	$ 7,483	$ 20,707	$ 16,855

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.

	June 30, 2025	December 31, 2024
	(In thousands)	
Other current assets	$ 1,319	$ 1,752
Other assets	311	2,006
	$ 1,630	$ 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		Six Months Ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
	(In thousands)			
Operating lease cost	$ 12,058	$ 10,263	$ 23,774	$ 20,216
Short-term lease cost	127	256	424	521
Variable lease cost	2,681	2,677	5,198	5,136
Sublease income	(111)	(114)	(217)	(204)
Total lease cost	$ 14,755	$ 13,082	$ 29,179	$ 25,669

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		Six Months Ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
	(In thousands)			
Cash paid for amounts included in the measurement of operating lease liabilities	$ 12,188	$ 10,564	$ 24,079	$ 20,902
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 15,200	$ 12,901	$ 25,955	$ 20,628

The aggregate future lease payments for operating leases as of June 30, 2025, were as follows.

Fiscal Year	Amount (In thousands)
2025 (excluding the six months ended June 30, 2025)	$ 24,169
2026	43,047
2027	33,672
2028	23,620
2029 and thereafter	38,028
Total lease payments	$ 162,536
Less: imputed interest	17,219
Total operating lease liabilities	$ 145,317

Average lease terms and discount rates were as follows.

	June 30, 2025	June 30, 2024
Weighted-average remaining lease term - Operating leases	4.5 years	3.9 years
Weighted-average discount rate - Operating leases	4.9%	4.4%

The Company leases certain properties from Michael G. Mayrsohn (lessor), who is the President of Metro and elected to the Board of Directors by the Company's shareholders as of May 20, 2025. The two leases are classified as operating leases that expire on April 30, 2030 and December 31, 2031. For the six months ended June 30, 2025, the Company paid a total of $0.2 million of lease payments to Mr. Mayrsohn. Metro has made leasehold improvements valued at $0.3 million as of June 30, 2025. The total of minimum future rental payments under these related party lease agreements is $2.9 million as of June 30, 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 25% - 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.

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

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		Six Months Ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
	(In thousands)		(In thousands)	
Net revenue:				
Physical therapy operations	$ 168,292	$ 143,486	$ 324,700	$ 277,911
Industrial injury prevention services	29,052	23,704	56,432	44,954
Total Company	$ 197,344	$ 167,190	$ 381,132	$ 322,865
Operating Costs:				
Salaries and related costs:				
Physical therapy operations	$ 95,668	$ 81,452	$ 189,241	$ 161,226
Industrial injury prevention services	18,120	14,882	35,796	28,839
Total salaries and related costs	$ 113,788	$ 96,334	$ 225,037	$ 190,065
Rent supplies, contract labor and other:				
Physical therapy operations	$ 29,826	$ 26,824	$ 59,925	$ 51,977
Industrial injury prevention services	4,301	3,511	8,046	6,342
Total rent, supplies, contract labor and other	$ 34,127	$ 30,335	$ 67,971	$ 58,319
Depreciation and amortization:				
Physical therapy operations	$ 5,516	$ 4,067	$ 10,701	$ 7,840
Industrial injury prevention services	225	232	580	357
Total depreciation and amortization	$ 5,741	$ 4,299	$ 11,281	$ 8,197
Provision for credit losses:				
Physical therapy operations	$ 1,980	$ 1,717	$ 3,821	$ 3,344
Industrial injury prevention services	15	-	22	-
Total provision for credit losses	$ 1,995	$ 1,717	$ 3,843	$ 3,344
Clinic closure costs:				
Physical therapy operations	$ 69	$ 643	311	$ 677
Industrial injury prevention services	-	-	-	-
Total clinic closure costs	$ 69	$ 643	311	$ 677
Total Company	$ 155,720	$ 133,328	$ 308,443	$ 260,602
Gross profit:				
Physical therapy operations	$ 35,233	$ 28,783	$ 60,701	$ 52,847
Industrial injury prevention services	6,391	5,079	11,988	9,416
Total Company	$ 41,624	$ 33,862	$ 72,689	$ 62,263
Unallocated amounts				
Corporate office costs	$ 17,476	$ 14,249	$ 33,721	$ 28,334
Interest expense, debt and other	2,422	1,980	4,701	3,948
Interest income from investments	(28)	(1,074)	(52)	(2,617)
(Gain) loss on change in fair value of contingent earn-out consideration	(790)	4,046	(5,612)	3,434
Change in revaluation of put-right liability	339	223	743	303
Equity in earnings of unconsolidated affiliate	(401)	(248)	(794)	(519)
Loss on sale of a partnership	-	-	123	-
Other	$ (47)	(109)	$ (122)	(171)
Total unallocated amounts	$ 18,971	$ 19,067	$ 32,708	$ 32,712
Income before taxes	$ 22,653	$ 14,795	$ 39,981	$ 29,551

	June 30, 2025	December 31, 2024
Assets:		
Goodwill:		
Physical therapy operations	$ 589,643	$ 579,046
Industrial injury prevention services	87,952	88,106
Total goodwill	$ 677,595	$ 667,152
All other assets:		
Physical therapy operations	420,754	$ 415,039
Industrial injury prevention services	81,251	85,276
Total all other assets	502,005	500,315
Total Assets	$ 1,179,600	$ 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 June 30, 2025, is $12.3 million and the earnings amounted to approximately $0.4 million and $0.8 million for the three and six months ended June 30, 2025, respectively. Earnings were $0.3 million and $0.5 million for the three and six months ended June 30, 2024, respectively.

14. Subsequent Events

On July 31, 2025, the Company acquired a 60% equity interest in a three-clinic physical therapy practice with the original practice owners together retaining a 40% equity interest.

The Company's Board of Directors declared a quarterly dividend of $0.45 per share payable on September 12, 2025, to shareholders of record on August 22, 2025.

The Company's Board of Directors approved a share repurchase program effective August 5, 2025. The program authorizes the repurchase by the Company of up to $25 million of its outstanding shares of common stock over the period ending on December 31, 2026. Under the share repurchase program, shares may be repurchased from time to time in the open market or negotiated transactions at prevailing market rates, or by other means in accordance with federal securities laws. The timing and amount of share repurchases under the share repurchase program, if any, will depend on several factors, including the Company's stock price performance, ongoing capital allocation priorities and general market conditions.

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 expect. Included among such statements may be those relating to new clinics, availability of personnel and the reimbursement environment. The forward-looking statements are based on our current views and assumptions, and actual results could differ materially from those anticipated in such forward-looking statements as a result of certain risks, uncertainties, and factors, which include, but are not limited to:

- *changes 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, and home-care physical and speech therapy practices that provide speech therapy, 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 services is contracted with and paid for directly by employers, including a number of Fortune 500 companies. IIP is performed through Industrial Sports Medicine Professionals with specialized training related to the musculoskeletal system.

During the six months ended June 30, 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
April 2025 Acquisition	April 30, 2025	40%*	**
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

** On April 30, 2025, the Company acquired an outpatient home care practice that provides speech and occupational therapy through its 50% owned subsidiary MSO Metro LLC. ("Metro"). After the transaction, the Company's ownership interest is 40%, the local partners have an ownership interest of 40% and the practice's preacquisition owners have a 20% ownership interest.*
*** Home-care business*
**** On April 30, 2024, one of our primary IIP businesses, Briotix Health Limited Partnership, acquired 100% of an IIP business.*
***** IIP business*

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

Clinic Count Roll Forward (1)

	2025			2024		
	Owned	Managed	Total	Owned	Managed	Total
Number of clinics, beginning of period	722	39	761	671	43	714
Q1 additions	14	-	14	14	-	14
Q1 closed or sold	(7)	(2)	(9)	(6)	(2)	(8)
Number of clinics, end of period	729	37	766	679	41	720
Q2 additions	6	-	6	7	-	7
Q2 closed or sold	(3)	(1)	(4)	(5)	-	(5)
Number of clinics, end of period	732	36	768	681	41	722
Q3 additions				12	-	12
Q3 closed or sold				(32)	(2)	(34)
Number of clinics, end of period				661	39	700
Q4 additions				63	-	63
Q4 closed or sold				(2)	-	(2)
Number of clinics, end of period				722	39	761
Year-to-date total additions	20	-	20	96	-	96
Year-to-date total closed or sold	(10)	(3)	(13)	(45)	(4)	(49)

(1) Excludes the home-care business

Our strategy is to continue acquiring multi-clinic outpatient physical therapy practices and home-care physical and speech 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 September 12, 2025, to shareholders of record on August 22, 2025.

On April 30, 2025, we acquired an outpatient home-care physical and speech therapy practice through our 50%-owned subsidiary, Metro. After the transaction, our ownership interest is 40%, our local partners have an ownership interest of 40% and the practice's preacquisition owners have a 20% ownership interest.

Regulatory Changes

The Company's Board of Directors approved a share repurchase program effective August 5, 2025. The program authorizes the repurchase by the Company of up to $25 million of its outstanding shares of common stock over the period ending on December 31, 2026. Under the share repurchase program, shares may be repurchased from time to time in the open market or negotiated transactions at prevailing market rates, or by other means in accordance with federal securities laws. The timing and amount of share repurchases under the share repurchase program, if any, will depend on several factors, including the Company's stock price performance, ongoing capital allocation priorities and general market conditions.

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 since 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.

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 (physical clinic locations and home-care business units) 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 for both physical clinic locations and home-care.
- *Average daily visits per clinic per day* is patient visits (excluding home-care 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 Second Quarter* refers to the three months ended June 30, 2025.
- *2024 Second Quarter* refers to the three months ended June 30, 2024.
- *2025 Six Months* refers to the six months ended June 30, 2025.
- *2024 Six Months* refers to the six months ended June 30, 2024.

Our Net Income was $12.4 million for the 2025 Second Quarter compared to $7.5 million in the 2024 Second Quarter. In accordance with Generally Accepted Accounting Principles ("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 $0.58 for the 2025 Second Quarter compared to $0.47 for the 2024 Second Quarter

Our Net Income was $22.3 million for the 2025 Six Months as compared to $15.6 million for the 2024 Six Months while earnings per share was $1.38 for the 2025 Six Months compared to $0.93 for the 2024 Six Months.

The following table provides a calculation of earnings per share.

	Three Months Ended		Six Months Ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Earnings per Share	(In thousands, except per share data)		(In thousands, except per share data)	
Computation of earnings per share - USPH shareholders:				
Net income attributable to USPH shareholders	$ 12,393	$ 7,506	$ 22,292	$ 15,552
Charges to retained earnings:				
Revaluation of redeemable non-controlling interest	(4,806)	(622)	(1,903)	(2,061)
Tax effect at statutory rate (federal and state)	1,228	159	486	527
	$ 8,815	$ 7,043	$ 20,875	$ 14,018
Earnings per share (basic and diluted)	$ 0.58	$ 0.47	$ 1.38	$ 0.93
Shares used in computation:				
Basic and diluted earnings per share - weighted-average shares	15,197	15,072	15,165	15,044

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.

	Three Months Ended June 30, 2025	Three Months Ended June 30, 2024	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
	(In thousands, except per share data)			
Adjusted EBITDA (a non-GAAP measure)				
Net income attributable to USPH shareholders	$ 12,393	$ 7,506	$ 22,292	$ 15,552
Adjustments:				
Provision for income taxes	4,933	3,083	8,793	6,222
Depreciation and amortization	6,057	4,514	11,924	8,609
Interest expense, debt and other, net	2,422	1,980	4,701	3,948
Equity-based awards compensation expense	2,117	1,919	3,888	3,916
Interest income from investments	(28)	(1,074)	(52)	(2,617)
Change in revaluation of put-right liability	339	223	743	303
(Gain) loss on change in fair value of contingent earn-out consideration	(790)	4,046	(5,612)	3,434
Clinic Closure costs (1)	69	551	311	677
Business acquisition related costs (2)	320	-	800	-
ERP implementation costs (3)	159	-	221	-
Loss on sale of a partnership	-	-	123	-
Other income	(47)	(109)	(122)	(171)
Allocation to non-controlling interests	(1,081)	(515)	(1,608)	(978)
	$ 26,863	$ 22,124	$ 46,402	$ 38,895
Operating Results (a non-GAAP measure)				
Net income attributable to USPH shareholders	$ 12,393	$ 7,506	$ 22,292	$ 15,552
Adjustments:				
Gain (loss) on change in fair value of contingent earn-out consideration	(790)	4,046	(5,612)	3,434
Change in revaluation of put-right liability	339	223	743	303
Clinic closure costs (1)	69	551	311	677
Business acquisition related costs (2)	320	-	800	-
ERP implementation costs (3)	159	-	221	-
Loss on sale of a partnership	-	-	123	-
Allocation to non-controlling interests	(156)	(68)	(118)	(84)
Tax effect at statutory rate (federal and state)	16	(1,214)	903	(1,106)
	$ 12,350	$ 11,044	$ 19,663	$ 18,776
Operating Results per share (a non-GAAP measure)	0.81	$ 0.73	1.30	$ 1.25

1) *Costs associated with the closure of three clinics in the 2025 Second Quarter, 10 clinics during the 2025 Six Months, five clinics in the 2024 Second Quarter and 11 clinics in the 2024 Six Months.*
2) *Primarily consists of retention bonuses and legal and consulting expenses related to the acquisition of equity interests in certain partnerships.*
3) *Consists of costs related to a one-time financial and human resources systems upgrade.*

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

	Three Months Ended June 30, 2025 As Reported (GAAP)	Three Months Ended June 30, 2025 Adjustments (1)	Three Months Ended June 30, 2025 As Adjusted (Non-GAAP)	Six Months Ended June 30, 2025 As Reported (GAAP)	Six Months Ended June 30, 2025 Adjustments (1)	Six Months Ended June 30, 2025 As Adjusted (Non-GAAP)
	(in thousands, except percentages)			(in thousands, except percentages)		
Segment information - Physical Therapy Operations						
Salaries and related costs (2)	$ 93,877	$ (229)	$ 93,648	$ 185,676	$ (294)	$ 185,382
Operating costs (2)	$ 131,093	$ (229)	$ 130,864	$ 260,064	$ (294)	$ 259,770
Gross profit	$ 35,233	$ 229	$ 35,462	$ 60,701	$ 294	$ 60,995
Gross margin	20.9%	*	21.1%	18.7%	*	18.8%
Number of visits	1,558,756		1,558,756	3,002,561		3,002,561
Salaries and related costs per visit	$ 60.23	$ (0.15)	$ 60.08	$ 61.84	$ (0.10)	$ 61.74
Operating costs per visit	$ 84.10	$ (0.15)	$ 83.95	$ 86.62	$ (0.10)	$ 86.52

1) *Certain incentive costs related to the Metro acquisition. We believe that presenting this information will allow investors to evaluate the performance our business more objectively.*
2) *Excludes costs related to management contracts.*

** Not meaningful*

Supplemental Financial and Performance Metrics

	Number of Clinics (2)		Net Rate Per Patient Visit (1)		Patient Visits (1)		Average Visits Per Clinic Per Day(3)	
	2025	2024	2025	2024	2025	2024	2025	2024
First quarter	729	679	$ 105.66	$ 103.37	1,443,805	1,268,002	31.2	29.5
Second quarter	732	681	$ 105.33	$ 105.05	1,558,756	1,335,335	32.7	30.6
Third quarter	-	661	$ -	$ 105.65	-	1,317,051	-	30.1
Fourth quarter	-	722	$ -	$ 104.73	-	1,432,801	-	31.6
Year	-	722	$ -	$ 104.71	3,002,561	5,353,189	-	30.4

(1) See definition of the metrics above in the Glossary of Terms – Revenue Metrics on page 38.
(2) We also manage clinics owned by third parties through management contracts. In addition to the clinic count shown above, (excluding the home-care business unit count), as of June 30, 2025, we managed 36 clinics bringing the total owned/managed clinics to 768. As of June 30, 2024, we managed 41 clinics bringing the total owned/managed clinics to 722.
(3) Excludes home-care visits.

2025 Second Quarter versus 2024 Second Quarter

	Three Months Ended					
	June 30, 2025		June 30, 2024		Variance	
	Amount	As a % of Net Revenue	Amount	As a % of Net Revenue	Amount	%
	(In thousands, except percentages)					
Net patient revenue	$ 164,183	83.2%	$ 140,271	83.9%	$ 23,912	17.0%
Other revenue	33,161	16.8%	26,919	16.1%	6,242	23.2%
Net revenue	197,344	100.0%	167,190	100.0%	30,154	18.0%
Operating Cost:						
Salaries and related costs	113,788	57.7%	96,334	57.6%	17,454	18.1%
Rent, supplies, contract labor and other	34,127	17.3%	30,335	18.1%	3,792	12.5%
Depreciation and amortization	5,741	2.9%	4,299	2.6%	1,442	33.5%
Provision for credit losses	1,995	1.0%	1,717	1.0%	278	16.2%
Clinic closure costs - lease and other	69	0.0%	643	0.4%	(574)	(89.3)%
Total operating cost	155,720	78.9%	133,328	79.7%	22,392	16.8%
Gross Profit	41,624	21.1%	33,862	20.3%	7,762	22.9%
Corporate office costs	17,476	8.9%	14,249	8.5%	3,227	22.6%
(Gain) loss on change in fair value of contingent earn-out consideration	(790)	(0.4)%	4,046	2.4%	(4,836)	(119.5)%
Operating Income	24,938	12.6%	15,567	9.3%	9,371	60.2%
Other (expense) income:						
Interest expense, debt and other	(2,422)	(1.2)%	(1,980)	(1.2)%	(442)	22.3%
Interest income from investments	28	0.0%	1,074	0.6%	(1,046)	(97.4)%
Change in revaluation of put-right liability	(339)	(0.2)%	(223)	(0.1)%	(116)	52.0%
Equity in earnings of unconsolidated affiliate	401	0.2%	248	0.1%	153	61.7%
Other	47	0.0%	109	0.1%	(62)	(56.9)%
Total other (expense) income	(2,285)	(1.2)%	(772)	(0.5)%	(1,513)	196.0%
Income before taxes	22,653	11.5%	14,795	8.8%	7,858	53.1%
Provision for income taxes	4,933	2.5%	3,083	1.8%	1,850	60.0%
Net income	17,720	9.0%	11,712	7.0%	6,008	51.3%
Less: Net income attributable to non-controlling interest:						
Redeemable non-controlling interest - temporary equity	(3,914)	(2.0)%	(3,314)	(2.0)%	(600)	18.1%
Non-controlling interest - permanent equity	(1,413)	(0.7)%	(892)	(0.5)%	(521)	58.4%
	(5,327)	(2.7)%	(4,206)	(2.5)%	(1,121)	26.7%
Net income attributable to USPH shareholders	$ 12,393	6.3%	$ 7,506	4.5%	$ 4,887	65.1%

** Not meaningful*

Total net revenue for the 2025 Second Quarter increased $30.2 million, or 18.0%, to $197.3 million from $167.2 million for the 2024 Second Quarter while operating costs increased $22.4 million, or 16.8%, to $155.7 million from $133.3 million over the same periods, respectively. This increase was due to the increase in visits from the 51 net clinics added since the comparable prior year period and an increase in net rate per patient visit.

Gross profit, which included less than $0.1 million of costs associated with four clinic closures, in the 2025 Second Quarter was $41.6 million, or 21.1% of net revenue, during the 2025 Second Quarter compared to $33.9 million, or 20.3% of net revenue, for the 2024 Second Quarter.

Adjusted EBITDA, a non- GAAP measure, was $26.9 million for the 2025 Second Quarter, an increase of $4.7 million, or 21.4%, from $22.1 million for the 2024 Second Quarter primarily driven by higher patient visits.

Operating Results, a non-GAAP measure, was $12.4 million for the 2025 Second Quarter compared to $11.0 million for the 2024 Second Quarter, an increase of 11.8% over the same period. On a per share basis, Operating Results was $0.81 for the 2025 Second Quarter compared to $0.73 for the 2024 Second Quarter.

Physical Therapy Operations

	Three Months Ended		Variance	
	June 30, 2025	June 30, 2024	$	%
	(In thousands, except percentages)			
Revenue related to:				
Mature Clinics (1)	$ 133,650	$ 133,366	$ 284	0.2%
Clinic additions (2)	30,533	3,586	26,947	* (7)
Clinics sold or closed (3)	-	3,319	(3,319)	* (7)
Net Patient Revenue	164,183	140,271	23,912	17.0%
Other (4)	4,109	3,215	894	27.8%
Total	168,292	143,486	24,806	17.3%
Operating costs (5)	133,059	114,703	18,356	16.0%
Gross profit	$ 35,233	$ 28,783	$ 6,450	22.4%
Financial and operating metrics (not in thousands):				
Net rate per patient visit (1)	$ 105.33	$ 105.05	$ 0.28	0.3%
Patient visits (1)	1,558,756	1,335,335	223,421	16.7%
Average daily visits per clinic (1)	32.7	30.6	2.1	6.9%
Adjusted gross profit margin (5)(6)	21.1%	20.1%		
Salaries and related costs per visit (6)	$ 60.08	$ 59.66	$ 0.42	0.7%
Operating costs per visit (6)	$ 83.95	$ 84.46	$ (0.51)	(0.6)%

(1) See *Glossary of Terms - Revenue Metrics* for definitions.
(2) Includes six clinics added during the 2025 Second Quarter, 14 clinics added during the 2025 First Quarter and 96 clinics added during the year ended December 31, 2024. (Owned)
(3) Includes three clinics closed during the 2025 Second Quarter, seven clincs closed in the 2025 First Quarter and 45 clinics closed during the year ended December 31, 2024. (Owned)
(4) Includes revenues from management contracts.
(5) Includes costs from management contracts.
(6) Excludes $0.2 million of certain incentive costs related to the Metro acquisition. Please refer to the reconciliation of non-GAAP measures to the most directly comparable GAAP measure on page 40.
(7) Not meaningful.

Revenues

Net revenue from physical therapy operations increased $24.8 million, or 17.3%, to $168.3 million for the 2025 Second Quarter from $143.5 million for the 2024 Second Quarter. This growth was due to the increase in visits from the 51 net clinics added since the comparable prior year period and an increase in net rate per patient visit, which reflects the Company’s strategic priority of increasing reimbursement rates through contract negotiations with commercial and other payors, and the addition of acquisitions with accretive net rate per patient visit. Net rate per patient visit for the 2025 Second Quarter was $105.33 up from $105.05 for the 2024 Second Quarter, despite the approximate 2.9% Medicare rate reduction which went into effect on January 1, 2025.

Total patient visits were 1,558,756 for the 2025 Second Quarter, a 16.7% increase from the 2024 Second Quarter. Total patient visits includes 28,493 home-care visits, which we will break out separately each period going forward. For the six months ended June 30, 2025, we had 3,002,561 total patient visits, which includes 51,436 home-care visits. There were no home-care visits in the first six months of 2024.

Other revenues increased approximately $0.9 million, or 27.8%, to $4.1 million for the 2025 Second Quarter from $3.2 million for the 2024 Second Quarter.

Operating costs

Operating costs from physical therapy operations increased by $18.4 million, or 16.0%, to $133.1 million for the 2025 Second Quarter from $114.7 million for the 2024 Second Quarter primarily driven by the 51 net clinics added since the comparable prior year period. Operating costs were 79.1% of net revenue for the 2025 Second Quarter compared to 79.9% of net revenue for the 2024 Second Quarter. Total operating costs per visit (excluding management contracts and certain incentive costs related to Metro) was $83.95 compared to $84.46 in the 2024 Second Quarter, as higher visit volume did not result in a proportional increase in fixed costs.

Salaries and related costs, clinics (excluding management contracts) increased to $93.9 million in the 2025 Second Quarter from $79.7 million in the 2024 Second Quarter, an increase of $14.3 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 $60.08 for the 2025 Second Quarter from $59.66 for the 2024 Second Quarter.

Rent, supplies, contract labor and other costs, related to clinics (excluding management contracts) increased to $29.7 million in the 2025 Second Quarter from $27.3 million in the 2024 Second Quarter, an increase of $2.4 million, or 8.7% mostly due to clinic additions.

Depreciation and amortization related to physical therapy operations increased to $5.5 million in the 2025 Second Quarter from $4.1 million in the 2024 Second Quarter, an increase of $1.5 million, or 35.7%, primarily due to the larger number of clinics in the 2025 Second Quarter compared to the 2024 Second Quarter.

The provision for credit losses was $2.0 million for the 2025 Second Quarter and $1.7 million for the 2024 Second Quarter. As a percentage of net revenues, the provision for credit losses was 1.2% for both periods.

Gross Profit

Gross profit from physical therapy operations for the 2025 Second Quarter was $35.2 million with a gross profit margin of 20.9% compared to $28.8 million with a gross profit margin of 20.1% for the 2024 Second Quarter. Excluding certain incentive costs related to the Metro acquisition of $0.2 million, the adjusted gross profit margin was 21.1% for the 2025 Second Quarter (See reconciliation of non-GAAP measures to the most comparable GAAP measure on page 40).

Industrial Injury Prevention Services

	Three Months Ended		Variance	
	June 30, 2025	June 30, 2024	$	%
	(In thousands, except percentages)			
Net revenue	$ 29,052	$ 23,704	$ 5,348	22.6%
Operating costs	22,661	18,625	4,036	21.7%
Gross profit	$ 6,391	$ 5,079	$ 1,312	25.8%
Gross margin	22.0%	21.4%		

IIP revenue increased $5.3 million, or 22.6%, to $29.1 million for the 2025 Second Quarter as compared to $23.7 million for the 2024 Second Quarter. Gross profit from IIP operations for the 2025 Second Quarter increased $1.3 million, or 25.8%, to $6.4 million from $5.1 million for the 2024 Second Quarter. Gross profit margin from IIP operations was 22.0% for the 2025 Second Quarter compared to 21.4% for the 2024 Second Quarter. Excluding the IIP acquisition made in April 2024, IIP revenue increased by $4.0 million or 18.4% in the 2025 Second Quarter and gross profit margin increased $1.0 million or 21.8% in the 2025 Second Quarter over the comparable prior year period.

Corporate Office Costs

Corporate office costs increased to $17.5 million for the 2025 Second Quarter from $14.2 million for the 2024 Second Quarter, primarily to support of the larger number of clinics, as well as, acquisition integration costs and costs associated with the implementation of a new financial and human resources system. Implementation costs associated with the new financial and human resources system are expected to continue through the end of 2026. As a ratio to net revenue, corporate office costs was 8.9% for the 2025 Second Quarter compared to 8.5% for the 2024 Second Quarter. Excluding the acquisition integration costs and the costs associated with the implementation of the new financial and human resources system of $0.3 million, corporate office costs was 8.7% of net revenue for the 2025 Second Quarter.

Change in fair value of contingent earn-out consideration

We revalued contingent consideration related to certain acquisitions and recognized a net gain (a decrease in the related liabilities) of $0.8 million for the 2025 Second Quarter compared to a net loss (an increase in the related liabilities) of $4.0 million for the 2024 Second Quarter.

Operating Income

Operating income was $24.9 million for the 2025 Second Quarter compared to $15.6 million for the 2024 Second Quarter. Excluding the impact of change in value of contingent consideration in the 2025 Second Quarter of $0.8 million, and the 2024 Second Quarter of $4.0 million, operating income increased to $24.1 million for the 2025 Second Quarter from $19.6 million in the 2024 Fourth Quarter.

Other (Expenses) Income

Interest Expense, Debt and Other

Interest expense increased by $0.4 million to $2.4 million for the 2025 Second Quarter compared to $2.0 million for the 2024 Second Quarter due to a higher average outstanding balance on our revolving credit facility for the 2025 Second Quarter. The interest rate associated with borrowings on our credit facilities was 5.1% for the 2025 Second Quarter and 4.7% for the 2024 Second Quarter, with an all-in-effective interest rate (including all associated costs), of 5.6% and 5.4% over the same periods, respectively.

Interest income from investment

Interest income was less than $0.1 million during the 2025 Second Quarter compared to $1.1 million for the 2024 Second Quarter as the cash on the balance sheet at the end of the 2024 Second Quarter has since been deployed to fund acquisitions.

Change in revaluation of put-right liability

We revalued a put-right liability related to the future purchase of an IIP business and recognized a net non-cash expense (an increase in the related liability) of $0.3 million for the 2025 Second Quarter compared to $0.2 million for the 2024 Second Quarter (an increase in the related liability).

Provision for Income Taxes

The provision for income taxes was $4.9 million for the 2025 Second Quarter compared to $3.1 million during the 2024 Second Quarter while the effective tax rate was 28.5% and 29.1% over the same periods, respectively.

	Three Months Ended	
	June 30, 2025	**June 30, 2024**
	(In thousands, except percentages)	
Income before taxes	$ 22,653	$ 14,795
Less: Net income attributable to non-controlling interest:		
Redeemable non-controlling interest - temporary equity	(3,914)	(3,314)
Non-controlling interest - permanent equity	(1,413)	(892)
	$ (5,327)	$ (4,206)
Income before taxes less net income attributable to non-controlling interest	$ 17,326	$ 10,589
Provision for income taxes	$ 4,933	$ 3,083
Effective income tax rate	28.5%	29.1%

Net Income Attributable to Non-controlling Interest

Net income attributable to non-controlling interest (temporary and permanent) was $5.3 million for the 2025 Second Quarter compared to $4.2 million for the 2024 Second Quarter.

2025 Six Months versus 2024 Six Months

	Six Months Ended					
	June 30, 2025		**June 30, 2024**		**Variance**	
	Amount	**As a % of Net Revenue**	**Amount**	**As a % of Net Revenue**	**Amount**	**%**
			(In thousands, except percentages)			
Net patient revenue	$ 316,730	83.1%	$ 271,346	84.0%	$ 45,384	16.7%
Other revenue	64,402	16.9%	51,519	16.0%	12,883	25.0%
Net revenue	381,132	100.0%	322,865	100.0%	58,267	18.0%
Operating Cost:						
Salaries and related costs	225,037	59.0%	190,065	58.9%	34,972	18.4%
Rent, supplies, contract labor and other	67,971	17.8%	58,319	18.1%	9,652	16.6%
Depreciation and amortization	11,281	3.0%	8,197	2.5%	3,084	37.6%
Provision for credit losses	3,843	1.0%	3,344	1.0%	499	14.9%
Clinic closure costs - lease and other	311	0.1%	677	0.2%	(366)	(54.1)%
Total operating cost	308,443	80.9%	260,602	80.7%	47,841	18.4%
Gross Profit	72,689	19.1%	62,263	19.3%	10,426	16.7%
Corporate office costs	33,721	8.8%	28,334	8.8%	5,387	19.0%
(Gain) loss on change in fair value of contingent earn-out consideration	(5,612)	(1.5)%	3,434	1.1%	(9,046)	(263.4)%
Operating Income	44,580	11.7%	30,495	9.4%	14,085	46.2%
Other (expense) income:						
Interest expense, debt and other	(4,701)	(1.2)%	(3,948)	(1.2)%	(753)	19.1%
Interest income from investments	52	0.0%	2,617	0.8%	(2,565)	(98.0)%
Change in revaluation of put-right liability	(743)	(0.2)%	(303)	(0.1)%	(440)	145.2%
Equity in earnings of unconsolidated affiliate	794	0.2%	519	0.2%	275	53.0%
Loss on sale of a partnership	(123)	0.0%	-	0.0%	(123)	*
Other	122	0.0%	171	0.1%	(49)	(28.7)%
Total other (expense) income	(4,599)	(1.2)%	(944)	(0.3)%	(3,655)	387.2%
Income before taxes	39,981	10.5%	29,551	9.2%	10,430	35.3%
Provision for income taxes	8,793	2.3%	6,222	1.9%	2,571	41.3%
Net income	31,188	8.2%	23,329	7.2%	7,859	33.7%
Less: Net income attributable to non-controlling interest:						
Redeemable non-controlling interest - temporary equity	(5,926)	(1.6)%	(5,541)	(1.7)%	(385)	6.9%
Non-controlling interest - permanent equity	(2,970)	(0.8)%	(2,236)	(0.7)%	(734)	32.8%
	(8,896)	(2.3)%	(7,777)	(2.4)%	(1,119)	14.4%
Net income attributable to USPH shareholders	$ 22,292	5.8%	$ 15,552	4.8%	$ 6,740	43.3%

** Not meaningful*

Total net revenue for the 2025 Six Months increased $58.3 million, or 18.0%, to $381.1 million from $322.9 million for the 2024 Six Months while operating costs increased $47.8 million, or 18.4%, to $308.4 million from $260.6 million over the same periods, respectively. Gross profit for the 2025 Six Months was $72.7 million, or 19.1% of net revenue, compared to $62.3 million for the 2024 Six Months, or 19.3%, of net revenue.

Physical Therapy Operations

	Six Months Ended		Variance	
	June 30, 2025	June 30, 2024	$	%
	(In thousands, except percentages)			
Revenue related to:				
Mature Clinics (1)	$ 259,374	$ 260,577	$ (1,203)	(0.5)%
Clinic additions (2)	57,011	3,646	53,365	* (7)
Clinics sold or closed (3)	345	7,123	(6,778)	* (7)
Net Patient Revenue	316,730	271,346	45,384	16.7%
Other (4)	7,970	6,565	1,405	21.4%
Total	324,700	277,911	46,789	16.8%
Operating costs (5)	263,999	225,064	38,935	17.3%
Gross profit	$ 60,701	$ 52,847	$ 7,854	14.9%
Financial and operating metrics (not in thousands):				
Net rate per patient visit (1)	$ 105.49	$ 104.23	$ 1.26	1.2%
Patient visits (1)	3,002,561	2,603,337	399,224	15.3%
Average daily visits per clinic (1)	31.9	30.0	1.9	6.3%
Adjusted gross profit margin (5)(6)	18.8%	19.0%		
Salaries and related costs per visit (6)	$ 61.74	$ 60.52	$ 1.22	2.0%
Operating costs per visit (6)	$ 86.52	$ 84.97	$ 1.55	1.8%

(1) See *Glossary of Terms - Revenue Metrics* for definitions.
(2) Includes 20 clinics added during the 2025 Six Months and 96 clinics added during the year ended December 31, 2024. (Owned)
(3) Includes 10 clinics closed during the 2025 Six Months and 45 clinics closed during the year ended December 31, 2024. (Owned)
(4) Includes revenues from management contracts.
(5) Includes costs from management contracts.
(6) Excludes $0.3 million of certain incentive costs related to the Metro acquisition. Please refer to the reconciliation of non-GAAP measures to the most directly comparable GAAP measure on page 40.
(7) Not meaningful.

Revenues

Revenues from physical therapy operations increased $46.8 million, or 16.8% in the 2025 Six Months versus the comparable prior year period due to increased volume from the 51 net new clinics added since the comparable prior year period as well as an increase in net rate per patient visit to $105.49 for the 2025 Six Months from $104.23 for the 2024 Six Months. Gross profit from physical therapy operations increased $7.9 million, or 14.9%, to $60.7 million for the 2025 Six Months. Excluding certain incentive costs related to the Metro acquisition of $0.3 million, the adjusted gross profit margin was 18.8% for the 2025 Six Months (See reconciliation of non-GAAP measures to the most comparable GAAP measure on page 40).

Other revenues increased approximately $1.4 million, or 21.4% , to $7.8 million for the 2025 Six Months from $6.6 million for the 2024 Six Months.

Operating costs

Operating costs from physical therapy operations increased by $38.9 million, or 17.3%, to $264.0 million for the 2025 Six Months from $225.1 million for the 2024 Six Months, primarily driven by the 51 net clinics added since the comparable prior year period. Operating costs were 81.3% of net revenue for the 2025 Six Months compared to 81.0% of net revenue for the 2024 Six Months. Total operating costs per visit (excluding management contracts and certain incentive costs related to Metro) was $86.52 compared to $84.97 in the prior year quarter, as higher visit volume did not result in a proportional increase in fixed costs.

Salaries and related costs, clinics (excluding management contracts) increased to $185.7 million in the 2025 Six Months from $157.6 million in the 2024 Six Months, an increase of $28.1 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 $61.74 for the 2025 Six Months from $60.52 for the 2024 Six Months.

Rent, supplies, contract labor and other costs, related to clinics (excluding management contracts) increased to $59.9 million in the 2025 Six Months from $52.5 million in the 2024 Six Months, an increase of $7.4 million, or 14.1% mostly due to clinic additions.

Depreciation and amortization related to physical therapy operations increased to $10.7 million in 2025 Six Months from $7.8 million in the 2024 Six Months, an increase of $2.9 million, or 36.5%, primarily due to the larger number of clinics in the 2025 Six Months compared to the 2024 Six Months.

The provision for credit losses was $3.8 million for the 2025 Six Months and $3.3 million for the 2024 Six Months. As a percentage of net revenues, the provision for credit losses was 1.2% for both periods.

Gross Profit

Gross profit from physical therapy operations for the 2025 Six Months was $60.7 million with a gross profit margin of 18.7% compared to $52.8 million with a gross profit margin of 19.0% for the 2024 Six Months. Excluding certain incentive costs related to the Metro acquisition of $0.3 million, the adjusted gross profit margin was 18.8% for the 2025 Six Months (See reconciliation of non-GAAP measures to the most comparable GAAP measure on page 40).

Industrial Injury Prevention Services

	Six Months Ended		Variance	
	June 30, 2025	June 30, 2024	$	%
	(In thousands, except percentages)			
Net revenue	$ 56,432	$ 44,954	$ 11,478	25.5%
Operating costs	44,444	35,538	8,906	25.1%
Gross profit	$ 11,988	$ 9,416	$ 2,572	27.3%
Gross margin	21.2%	20.9%		

Revenues from IIP increased $11.5 million, or 25.5%, to $56.4 million for the 2025 Six Months versus the comparable prior year period. Gross profit from IIP operations increased $2.6 million, or 27.3%, to $12.0 million for the 2025 Six Months and the gross profit margin from IIP operations was 21.2% for the 2025 Six Months. Excluding the IIP acquisition made in April 2024, IIP revenue increased by $7.2 million or 16.7% in the 2025 Six Months and gross profit margin increased $1.9 million or 21.01% in the 2025 Six Months over the comparable prior year period.

Corporate Office Costs

Corporate office costs were $33.7 million for the 2025 Six Months, compared to $28.3 million for the 2024 Six Months. As a percent of net revenue, corporate office costs were 8.8% for both periods. Excluding the acquisition integration costs and the costs associated with the implementation of the new financial and human resources system of $0.7 million, corporate office costs was 8.7% of net revenue for the 2025 Six Months.

Change in fair value of contingent earn-out consideration

We revalued contingent consideration related to certain acquisitions and recognized a net gain (a decrease in the related liabilities) of $5.6 million for the 2025 Six Months compared to a net non-cash loss of $3.4 million for the 2024 Six Months (an increase in the related liabilities).

Operating Income

Operating income was $44.6 million for the 2025 Six Months compared to $30.5 million for the 2024 Six Months. Excluding the impact of change in value of contingent consideration of $5.6 million for the 2025 Six Months and $3.4 million for the 2024 Six Months, operating income increased to $39.0 million for the 2025 Six Months from $33.9 million for the 2024 Six Months, an increase of 14.9%.

Other (Expenses) Income

Interest Expense, Debt and Other

Interest expense increased by $0.8 million to $4.7 million for the 2025 Six Months compared to $3.9 million for the 2024 Six Months, primarily due to higher interest expense as a result of increased borrowings and lower interest income as the cash on the balance sheet during the 2024 Six Months has been deployed to fund acquisitions since that time.

The interest rate associated with borrowings on our credit facilities was 5.0% for the 2025 Six Months and 4.7% for the 2024 Six Months, with an all-in-effective interest rate (including all associated costs), of 5.5% and 5.4% over the same periods, respectively.

Interest income from investment

Interest income was less than $0.1 million during the 2025 Second Quarter compared to $2.6 million for the 2024 Second Quarter as the cash on the balance sheet at the end of the 2024 Second Quarter has since been deployed to fund acquisitions.

Change in revaluation of put-right liability

We revalued a put-right liability related to the future purchase of an IIP business and recognized a net non-cash expense (an increase in the related liability) of $0.7 million for the 2025 Six Months compared to $0.3 million for the 2024 Six Months (an increase in the related liability).

Provision for Income Taxes

The provision for income tax was $8.8 million for the 2025 Six Months and $6.2 million for the 2024 Six Months. The effective tax rate was 28.3% and 28.6% over the same periods, respectively.

	Six Months Ended	
	June 30, 2025	June 30, 2024
	(In thousands, except percentages)	
Income before taxes	$ 39,981	$ 29,551
Less: Net income attributable to non-controlling interest:		
Redeemable non-controlling interest - temporary equity	(5,926)	(5,541)
Non-controlling interest - permanent equity	(2,970)	(2,236)
	$ (8,896)	$ (7,777)
Income before taxes less net income attributable to non-controlling interest	$ 31,085	$ 21,774
Provision for income taxes	$ 8,793	$ 6,222
Effective income tax rate	28.3%	28.6%

Net Income Attributable to Non-controlling Interest

Net income attributable to non-controlling interest (temporary and permanent) was $8.9 million for the 2025 Six Months compared to $7.7 million for the 2024 Six Months.

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 $34.1 million as of June 30, 2025, compared to $41.4 million as of December 31, 2024, and $112.9 million at June 30, 2024. Additionally, we had $159.5 million of outstanding borrowings and $150.5 million in available credit under our credit facilities as of June 30, 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 June 30, 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 June 30, 2025, we have accrued $7.0 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.

	Six Months Ended	
	June 30, 2025	**June 30, 2024**
Net cash provided by operating activities	$ 30,186	$ 33,411
Net cash (used in) investing activities	(19,334)	(48,755)
Net cash (used in) financing activities	(18,128)	(24,570)

Operating Activities

Cash provided by operating activities was $30.2 million for the 2025 Six Months as compared to $33.4 million for the 2024 Six Months. The decrease in cash provided by operating activities is related to the increase in accounts receivable as a result of higher net revenue and timing of receivable collections, as well as payments on accounts payable and accrued expenses, mostly consisting of payroll and related benefits. These decreases were partially offset by higher net income.

Investing Activities

Cash used in investing activities for the 2025 Six Months totaled $19.3 million and primarily consisted of $15.5 million used in the purchase of interests in businesses and non-controlling interests (temporary and permanent), and $5.8 million of fixed assets purchases. These uses were partially offset by $0.7 million in proceeds from the sale of a partnership, and $0.7 million of distributions received from an unconsolidated affiliate. Cash used in investing activities in the 2024 Six Months was $48.8 million.

Financing Activities

Cash used in financing activities for the 2025 Six Months totaled $18.1 million and primarily comprised of $13.5 million in proceeds from our Revolving Facility (as defined below), $10.7 million in distributions to non-controlling interests (temporary and permanent), $13.7 in cash dividends paid to shareholders and payments of $7.3 million related to notes payable and the Term Facility. Cash used in financing activities in the 2024 Six Months was $24.6 million.

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 June 30, 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 June 30, 2025, $134.2 million (net of unamortized debt issuance costs of $0.8 million) was outstanding on the Term Facility while $24.5 million was outstanding under the Revolving Facility resulting in $150.5 million of credit availability on the Revolving Facility. The interest rate on the Senior Credit Facilities was 5.1% for the 2025 Second Quarter and 4.7% for the 2024 Second Quarter, with an all-in effective interest rate (including all associated costs), of 5.6% and 5.4% 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 June 30, 2025, the fair value of the interest rate swap was $1.6 million, a decrease of $1.6 million, net of a $0.5 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 changes in fair value are presented as an unrealized loss or gain in our unaudited consolidated statements of comprehensive income. The interest rate swap arrangement has generated $1.0 million in interest savings for the 2025 Six Months.

The average interest rate for our Senior Credit Facilities, net of the savings from the swap, was 5.1% in the 2025 Second Quarter and 5.0% in the 2025 Six Months, compared to 4.7% in both the 2024 Second Quarter and the 2024 Six Months.

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 June 30, 2025, our remaining outstanding balance on these notes aggregated $1.4 million, of which $0.3 million is payable in 2025, $0.9 million is payable in 2026 and $0.2 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 4.5% to 8.5% per annum.

On April 30, 2025, we acquired an outpatient home-care physical and speech therapy practice through our 50%-owned subsidiary, Metro. After the transaction, our ownership interest is 40%, our local partners have an partnership interest of 40% and the practice’s pre-acquisition owners have a 20% ownership interest. The purchase price for the 80% equity interest was approximately $2.3 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 $1.8 million.

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 $0.6 million as of June 30, 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 Metro pursuant to an 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 June 30, 2025, was $8.7 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 $0.7 million on June 30, 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 $1.8 million as of June 30, 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 $1.2 million on June 30, 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 June 30, 2025, was $263.3 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 six 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 June 30, 2025, was the outstanding balance of seller notes from our acquisitions of $1.4 million, and an outstanding balance on our term note related to the Credit Agreement of $159.5 million. The Revolving Facility within our Senior Credit Facilities has a balance of $24.5 million as of June 30, 2025, and is subject to fluctuating interest rates. A 1% change in the interest rate would yield $0.2 million in interest expense on the Senior 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 six months ended June 30, 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 six months ended June 30, 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.

Amendment to Company Bylaws

On August 5, 2005, the Company’s Board of Directors approved and adopted an amendment to the Company Bylaws (the ‘Bylaws Amendment’). The Bylaws Amendment provides an advance notice provision applicable to stockholder nominations and proposals. The foregoing description is qualified in its entirety by reference to the full text of the Bylaws Amendment, which are filed as Exhibit 3.2 to this Quarterly Report on Form 10-Q

Share Repurchase Program

The Company's Board of Directors approved a share repurchase program effective August 5, 2025. The program authorizes the repurchase by the Company of up to $25 million of its outstanding shares of common stock over the period ending on December 31, 2026. Under the share repurchase program, shares may be repurchased from time to time in the open market or negotiated transactions at prevailing market rates, or by other means in accordance with federal securities laws. The timing and amount of share repurchases under the share repurchase program, if any, will depend on several factors, including the Company's stock price performance, ongoing capital allocation priorities and general market conditions.

ITEM 6. EXHIBITS.

Exhibit Number	Description
3.2*	Amended and Restated Bylaws of U.S. Physical Therapy Inc. effective as of August 5, 2025.
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.
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

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: August 8, 2025

By: /s/ Carey Hendrickson
Carey Hendrickson
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 3.2

AMENDMENT TO THE AMENDED AND RESTATED BYLAWS OF U.S. PHYSICAL THERAPY, INC.

This Amendment (this "Amendment") to the Amended and Restated Bylaws (the "Bylaws") of U.S. Physical Therapy, Inc., a Nevada corporation (the "Company"), is effective as of August 5, 2025 and is made pursuant to Section 8.14 of the Bylaws.

1. Article Two of the Bylaws is hereby amended by adding a new Section 2.12 as follows:

"2.12 Advance Notice of Stockholder Nominations and Proposals.

(a) Annual Meetings. At a meeting of the stockholders, only such nominations of persons for the election of directors and such other business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, nominations or such other business must be:

(i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the board of directors or any committee thereof;

(ii) otherwise properly brought before the meeting by or at the direction of the board of directors or any committee thereof; or

(iii) otherwise properly brought before an annual meeting by a stockholder who is a stockholder of record of the Corporation at the time such notice of meeting is delivered and at the time of the annual meeting of stockholders, who is entitled to vote at the meeting, and who complies with the notice procedures set forth in this Section 2.12.

In addition, any proposal of business (other than the nomination of persons for election to the Board of Directors) must be a proper matter for stockholder action. For business (including, but not limited to, director nominations) to be properly brought before an annual meeting by a stockholder pursuant to Section 2.12(a)(iii), the stockholder or stockholders of record intending to propose the business (the "Proposing Stockholder") must have given timely notice thereof pursuant to this Section 2.12(a) in writing to the secretary of the Corporation even if such matter is already the subject of any notice to the stockholders or Public Disclosure from the board of directors. To be timely, a Proposing Stockholder's notice for an annual meeting must be delivered to or mailed and received at the principal executive offices of the Corporation: (x) not later than the close of business on the 90th day, nor earlier than the close of business on the 120th day in advance of the anniversary of the previous year's annual meeting if such meeting is to be held on a day which is not more than 30 days in advance of the anniversary of the previous year's annual meeting or not later than 60 days after the anniversary of the previous year's annual meeting; and (y) with respect to any other annual meeting of stockholders, including in the event that no annual meeting was held in the previous year, not earlier than the close of business on the 120th day prior to the annual meeting and not later than the close of business on the later of: (1) the 90th day prior to the annual meeting and (2) the close of business on the tenth day following the first date of Public Disclosure of the date of such meeting. In no event will adjournment or postponement (or public announcement thereof) of an annual meeting for which notice has already been given or for which a public announcement of the meeting date has already been made, commence a new notice time period (or extend any notice time period) for the giving of a stockholder's notice as described above. The number of nominees a Proposing Stockholder may nominate for election at an annual meeting (or in the case of a Proposing Stockholder giving the notice on behalf of a beneficial owner, the number of nominees a Proposing Stockholder may nominate for election at the annual meeting on behalf of the beneficial owner) shall not exceed the number of directors to be elected by stockholders generally at such annual meeting.

For purposes of this Section 2.12, "Public Disclosure" means a disclosure made in a press release reported by the Dow Jones News Services, The Associated Press, or a comparable national news service or in a document filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14, or 15(d) of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (the "Exchange Act").

(b) Stockholder Nominations. For the nomination of any person or persons for election to the board of directors pursuant to Section 2.12(a)(iii) or Section 2.12(d), a Proposing Stockholder's timely notice to the secretary of the Corporation (in accordance with the time periods for delivery of timely notice as set forth in this Section 2.12) shall set forth or include:

(i) the name, age, business address, and residence address of each nominee proposed in such notice;

(ii) the principal occupation or employment of each such nominee;

(iii) the class and number of shares of capital stock of the Corporation which are owned of record and beneficially by each such nominee (if any);

(iv) such other information concerning each such nominee as would be required to be disclosed in a proxy statement soliciting proxies for the election of such nominee as a director in an election contest (even if an election contest is not involved) or that is otherwise required to be disclosed under Section 14(a) of the Exchange Act;

(v) a written questionnaire with respect to the background, qualification, and independence of such proposed nominee, completed and executed by such proposed nominee, in the form to be provided by the secretary of the Corporation upon written request of any stockholder of record within 10 days of such request, and a written statement and agreement executed by each such nominee acknowledging that such person:

(A) consents to being named in the proxy statement as a nominee and to serving as a director if elected,

(B) intends to serve as a director for the full term for which such person is standing for election, and

(C) makes the following representations: (1) that the director nominee has read and agrees to adhere to the Corporation's Corporate Governance Guidelines, Board Code of Conduct, and any other of the Corporation's policies or guidelines applicable to directors, including with regard to securities trading, (2) that the director nominee is not and will not become a party to any agreement, arrangement, or understanding with, and has not given any commitment or assurance to, any person or entity as to how such person, if elected as a director of the Corporation, will act or vote on any nomination or other business proposal, issue, or question (a "Voting Commitment") that has not be disclosed to the Corporation or any Voting Commitment that could limit or interfere with such person's ability to comply, if elected as a director of the Corporation, with such person's fiduciary duties under applicable law, and (3) that the director nominee is not and will not become a party to any agreement, arrangement, or understanding with any person or entity other than the Corporation with respect to any direct or indirect compensation, reimbursement, or indemnification in connection with such person's nomination for director or service as a director of the Corporation that has not been disclosed to the Corporation; and

(vi) as to the Proposing Stockholder, the beneficial owner, if any, on whose behalf the nomination or other business proposal is being made, and if such Proposing Stockholder or beneficial owner is an entity, as to each director, executive, managing member, or control person of such entity (any such individual or control person, a "control person"):

(A) the name and address of the Proposing Stockholder as they appear on the Corporation's books and of the beneficial owner, if any, on whose behalf the nomination or other business proposal is being made,

(B) the class and number of shares of the Corporation which are owned as of the date of the Proposing Stockholder's notice by the Proposing Stockholder (beneficially and of record), the beneficial owner, if any, on whose behalf the nomination or other business proposal is being made, and any control person, and a representation that the Proposing Stockholder will notify the Corporation in writing of the class and number of such shares owned of record and beneficially by the Proposing Stockholder, the beneficial owner, and any control person as of the record date for the meeting within five business days after the record date for such meeting,

(C) a description of any agreement, arrangement, or understanding with respect to such nomination or other business proposal between or among the Proposing Stockholder, the beneficial owner, if any, on whose behalf the nomination or other business proposal is being made, and any control person; including without limitation (1) any agreements that would be required to be disclosed pursuant to Item 5 or Item 6 of Schedule 13D under the Exchange Act and (2) any plans or proposals which relate to or would result in any action that would be required to be disclosed pursuant to Item 4 of Schedule 13 D under the Exchange Act (in each case, regardless of whether the requirement to file a Schedule 13D under the Exchange Act is applicable), and a representation that the Proposing Stockholder will notify the Corporation in writing of any such agreement, arrangement, or understanding in effect as of the record date for the meeting within five business days after the record date for such meeting,

(D) a description of any agreement, arrangement, or understanding (including any derivative or short positions, profit interests, options, warrants, convertible securities, stock appreciation or similar rights, hedging transactions, and borrowed or loaned shares) that has been entered into as of the date of the Proposing Stockholder's notice by, or on behalf of, the Proposing Stockholder, the beneficial owner, if any, on whose behalf the nomination or other business proposal is being made, and any control person, whether or not such instrument or right shall be subject to settlement in underlying shares of capital stock of the Corporation, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of the Proposing Stockholder, beneficial owner, or any control person with respect to shares of stock of the Corporation, and a representation that the Proposing Stockholder will notify the Corporation in writing of any such agreement, arrangement, or understanding in effect as of the record date for the meeting within five business days after the record date for such meeting,

(E) a representation that the Proposing Stockholder is a holder of record of shares of the Corporation entitled to vote at the meeting and intends to appear in person at the meeting (or a qualified representative thereof intends to appear in person at the meeting) to nominate the person or persons specified in the notice or propose such other business proposal,

(F) a representation whether the Proposing Stockholder, the beneficial owner, if any, on whose behalf the nomination or other business proposal is being made, any control person, or any other participant (as defined in Item 4 of Schedule 14A under the Exchange Act) will engage in a solicitation with respect to such nomination or other business proposal and, if so, the name of each participant in such solicitation; and a statement: (1) confirming whether the Proposing Stockholder, the beneficial owner, or any control person intends, or is part of a group that (x) in the case of a nomination, intends to solicit proxies or votes in support of such director nominees or nomination in accordance with Rule 14a-19 under the Exchange Act, including but not limited to, delivering a proxy statement and form of proxy and soliciting at least the percentage of the voting power of all of the shares of stock of the Corporation required under applicable law to elect the nominee, and (y) in the case of a business proposal, intends to deliver a proxy statement and form of proxy and solicit at least the percentage of the voting power of all of the shares of stock of the Corporation required under applicable law to approve the proposal; and (2) whether or not any such Proposing Stockholder, beneficial owner, or any control person intends to otherwise solicit proxies from stockholders in support of such nomination or other business proposal, and

(G) the names and addresses of other stockholders (including beneficial and record owners and control persons) known by the Proposing Stockholder to support financially the nomination or other business proposal, and to the extent known, the class and number of all shares of the Corporation's capital stock owned beneficially or of record by such other stockholders (including beneficial and record owners and control persons), and

(H) any other information relating to such Proposing Stockholder and beneficial owner, if any, on whose behalf the nomination or other business proposal is being made, and any other control person that is required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for, as applicable, the business proposal and/or for the election of directors in an election contest pursuant to and in accordance with Section 14(a) of the Exchange Act and the rules and regulations promulgated thereunder.

The Corporation may require any proposed nominee to furnish such other information as it may reasonably require to determine the eligibility of such proposed nominee to serve as an independent director of the Corporation or that could be material to a reasonable stockholder's understanding of the independence, or lack thereof, of such nominee.

(c) **Other Stockholder Proposals**. For all business other than director nominations, a Proposing Stockholder's timely notice to the secretary of the Corporation (in accordance with the time periods for delivery of timely notice as set forth in this Section 2.12) shall set forth as to each matter the Proposing Stockholder proposes to bring before the annual meeting:

(i) a brief description of the business desired to be brought before the annual meeting;

(ii) the reasons for conducting such business at the annual meeting;

(iii) the text of any proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend these By-Laws, the language of the proposed amendment);

(iv) any substantial interest (within the meaning of Item 5 of Schedule 14A under the Exchange Act) in such business of such Proposing Stockholder and the beneficial owner, if any, on whose behalf the business is being proposed, and any control person;

(v) any other information relating to such Proposing Stockholder, beneficial owner, if any, on whose behalf the proposal is being made, any control person, or any other participants (as defined in Item 4 of Schedule 14A under the Exchange Act) required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for the proposal and pursuant to and in accordance with Section 14(a) of the Exchange Act and the rules and regulations promulgated thereunder;

(vi) a description of all agreements, arrangements, or understandings between or among such stockholder, the beneficial owner, if any, on whose behalf the proposal is being made, any control person, and any other person or persons (including their names) in connection with the proposal of such business and any material interest of such stockholder, beneficial owner, or any control person, in such business, including any anticipated benefit therefrom to such stockholder, beneficial owner, or control person; and

(vii) all of the other information required by Section 2.12(b)(iv) above.

(d) **Special Meetings of Stockholders**. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders called by the Board of Directors at which directors are to be elected pursuant to the Corporation's notice of meeting:

(i) by or at the direction of the board of directors or any committee thereof; or

(ii) provided that the board of directors has determined that directors shall be elected at such meeting, by any stockholder of the Corporation who is a stockholder of record at the time the notice provided for in this Section 2.12 is delivered to the Secretary and at the time of the special meeting of stockholders, who is entitled to vote at the meeting and upon such election, and who complies with the notice procedures set forth in this Section 2.12.

In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the board of directors, any such stockholder entitled to vote in such election of directors may nominate a person or persons (as the case may be) for election to such position(s) as specified in the Corporation's notice of meeting, if such stockholder delivers a stockholder's notice that complies with the requirements of Section 2.12(b) to the secretary of the Corporation at its principal executive offices not earlier than the close of business on the 120th day prior to such special meeting and not later than the close of business on the later of: (x) the 90th day prior to such special meeting; or (y) the tenth (10th) day following the first date of Public Disclosure of the date of the special meeting and of the nominees proposed by the board of directors to be elected at such meeting. In no event shall an adjournment or postponement (or the public announcement thereof) commence a new time period (or extend any notice time period) for the giving of a stockholder's notice as described above. The number of nominees a stockholder may nominate for election at a special meeting (or in the case of a stockholder giving notice on behalf of a beneficial owner, the number of nominees a stockholder may nominate for election at a special meeting on behalf of the beneficial owner) shall not exceed the number of directors to be elected by stockholders generally at such special meeting.

(e) **Effect of Noncompliance**.

(i) Only such persons who are nominated in accordance with the procedures set forth in this Section 2.12 shall be eligible to be elected at any meeting of stockholders of the Corporation to serve as directors and only such other business shall be conducted at a meeting as shall be properly brought before the meeting in accordance with the procedures set forth in this Section 2.12. The chair of the meeting, as determined pursuant to these bylaws, shall have the power and duty to determine whether a nomination or any other business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Section 2.12. If any proposed nomination was not made or proposed in compliance with this Section 2.12, or other business was not made or proposed in compliance with this Section 2.12, or if any stockholder, beneficial owner, control person, or any nominee for director acted contrary to any representation or other agreement required by this Section 2.12 (or with any law, rule, or regulation identified therein) or provided false or misleading information to the Corporation, then except as otherwise provided by law, the chairman of the meeting shall have the power and duty to declare that such nomination shall be disregarded or that such proposed other business shall not be transacted. Notwithstanding anything in these By-laws to the contrary, unless otherwise required by law, if a Proposing Stockholder intending to propose business or make nominations at an annual meeting or propose a nomination at a special meeting pursuant to this Section 2.12 does not comply with or provide the information required under this Section 2.12 to the Corporation, including the updated information required by Section 2.12(b)(vi) within five business days after the record date for such meeting, or the evidence required by Section 2.12(e)(ii) by no later than five business days prior to the applicable meeting or the Proposing Stockholder (or a qualified representative of the Proposing Stockholder) does not appear at the meeting to present the proposed business or nominations, such business or nominations shall not be considered, notwithstanding that proxies in respect of such business or nominations may have been received by the Corporation.

(ii) If any Proposing Stockholder provides notice pursuant to Rule 14a-19 under the Exchange Act, such stockholder shall deliver to the Corporation, no later than five (5) business days prior to the applicable meeting, reasonable evidence that it has met all applicable requirements of Rule 14a-19 under the Exchange Act. Without limiting the other provisions and requirements of this Section 2.12, unless otherwise required by law, if any stockholder provides such notice and either (A) fails to comply with the requirements of Rule 14a-19(a)(3) under the Exchange Act, or (B) fails to timely provide reasonable evidence of such compliance as required by this Section 2.12(e)(ii), then the Proposing Stockholder's nomination of each such proposed nominee shall be disregarded, notwithstanding that the nominee is included as a nominee in the Corporation's proxy statement, notice of meeting, or other proxy materials for any annual meeting (or any supplement thereto) and the Corporation shall disregard any proxies or votes solicited for such stockholder's nominees.

(f) Rule 14a-8. This Section 2.12 shall not apply to a proposal proposed to be made by a stockholder if the stockholder has notified the Corporation of the stockholder's intention to present the proposal at an annual or special meeting only pursuant to and in compliance with Rule 14a-8 under the Exchange Act and such proposal has been included in a proxy statement that has been prepared by the Corporation to solicit proxies for such meeting."

1. Except as set forth in this Amendment, no terms or conditions of the Bylaws have changed. In the event of any inconsistencies between the terms of this Amendment and the Bylaws, the terms of this Amendment shall prevail.

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: August 8, 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: August 8, 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 and six months ended June 30, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher J. Reading, 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.

August 8, 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.