



Dear U. S. Physical Therapy Shareholder:

These past few years our Company has demonstrated an incredible amount of resiliency. In 2020, after the pandemic began to shut everything down, we made the decision that we would keep our facilities open and available for our patients. And while our pandemic volumes dropped dramatically early on (around 55% in physical therapy), we bounced back quickly and by the end of 2020 we were (practically speaking) back to our pre-pandemic visits/clinic/day volume levels. 2021 proved to be a record year for us all around...volumes hit new highs and costs which were driven down materially in the early stages of the pandemic remained quite low. It was a great year that exceeded our expectations.

As 2022 began we had what we believed was a good plan to carry our 2021 momentum forward. Development in both years continued to be very steady and added to our forward trajectory. Sometime in the second quarter we began to feel what others had been experiencing for months and in some cases a year or more and that was the beginning, for us at least, of pressure around employee scarcity. Open positions began to take longer to fill, and employee cost, especially in our support areas of the front and back office, began to escalate significantly. Inflation was beginning to run, and we started to feel it. At the same time, interest rates began to rise corresponding to a series of Federal Reserve increases and that impacted our guidance expectations for the year in a material way. Ahead of most of those rate increases our team moved to expand and secure an updated credit facility, expanding our banking relationships, hedging our fixed facilities' rate, and creating flexibility as well as capacity so that we could continue to execute on our de novo and acquired growth opportunities. Despite these very significant macro challenges, which impacted businesses of all types, along with a Medicare rate reduction, we produced some highlights for the year:

Highlights for 2022:

- Adjusted EBITDA remained flat despite the overall macro-economic environment.
- Average visits/clinic/day were 28.7 for the year, the second highest in our Company's history.
- Net patient revenue increased 6% for the year.
- Industrial Injury Prevention ("IIP") revenues increased 75.5% for the year and 20.8% on a same store basis.
- We completed 5 PT acquisitions for 2022 and we completed our largest acquisition ever in an IIP deal late in 2021 which aided our 2022 IIP growth.
- We continued to raise our dividend. We increased it to \$.41/share in early 2022 and again to \$.43/share in the first quarter of 2023.
- Although our net rate was down slightly for the year due to a reduction in Medicare reimbursement, we were able to increase our net rate sequentially each quarter throughout the year as a result of contract re-negotiations and other related efforts.
- We finished the 2022 year with strong volume and that is how we have started this new year in 2023. Demand has been good!

Our focus for 2023 remains largely the same as last year with a few added nuances:

- We must push hard on rate re-negotiation across our commercial payer group of contracts.
- We have re-focused our efforts to improve our payer mix toward workers compensation by updating our service offering and retraining our teams to more efficiently and effectively access workers compensation referrals.
- We are focused on further automation at our front desk which should improve the efficiency of new patient intake and (we hope) help to ease the burden on our front desk employees while lessening turnover in those positions.
- We are focused on gaining a small measure of productivity across some of our facilities which are below (our) and industry averages.
- We expect to continue to deploy capital strategically toward de novo as well as acquisition-related development, improving market penetration in our top markets while expanding to new areas with good payment and demographic attributes.
- We will continue to work to improve and grow our injury prevention business which has been very strong for us since we began with a small acquisition in early 2017. IIP revenues in 2022 have grown to 14% of our overall Company revenue with great organic as well as acquired growth performance since inception.
- Finally taking care of people is what we do. Our care changes and improves the lives of the patients and families we are blessed and privileged to serve. Our IIP programs assist many of our nation's largest and most respected companies in keeping their workforce engaged, healthy and productive, benefiting the employees as well as the employer with our proven solutions. Last and very importantly are our partners and our valued employees around the country. Without them we could not positively impact lives the way that we do, and we (in my opinion) would not be able to weather the challenges and take advantage of the opportunities that invariably come our way. Our partnership model is tried and true now over 33 years strong. I believe this is our "secret sauce"...partnership and treating people the way we would want to be treated. It creates the foundational stability that undergirds every good thing we are able (and aspire) to do.

Thank you for your continued support and belief in our team. For me this has been an incredible 20 years now with our great Company and I look forward to serving for what I hope will be a long time to come. I am surrounded by an amazing and talented team who I love; and I am excited to work alongside them every day as we strive to make a difference in the lives of those we choose to serve.

God Bless!

Sincerely,



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