



SHORE
Capital Partners

SCP Physical Therapy, LLC Case Study

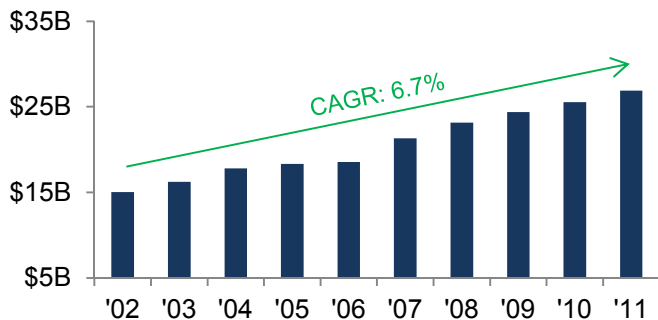
Physical Therapy Industry Overview

- **Shore Capital identified Physical Therapy as an attractive segment for investment in 2009**
 - Several industry tailwinds drove annual growth of 6.7%
 - Significant M&A activity signaled that the physical therapy sector was in a consolidation phase
- **After reviewing 30+ opportunities, Shore chose to invest in two Michigan-based companies given the state’s fragmented market**

National Market Overview

- **The \$26.9B physical therapy sector exhibited strong growth given the following drivers:**
 - Cost-effective alternative to surgery
 - Increasing demand for outpatient surgery
 - A more active and aging US population

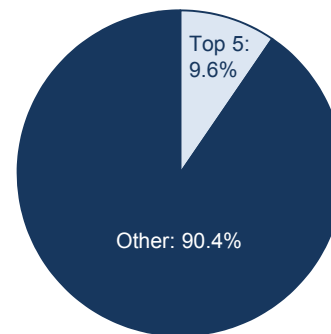
Growing Physical Therapy Market



Michigan Physical Therapy Market Opportunity

- **The fragmented Michigan market enabled Shore to transform a physical therapy platform into a regional leader**
 - Established the 5th largest platform in Michigan by acquiring and integrating two physical therapy companies in May 2012
 - The fragmented market enabled Shore to aggressively pursue de novos and acquisitions to expand the platform’s footprint

Fragmented Market

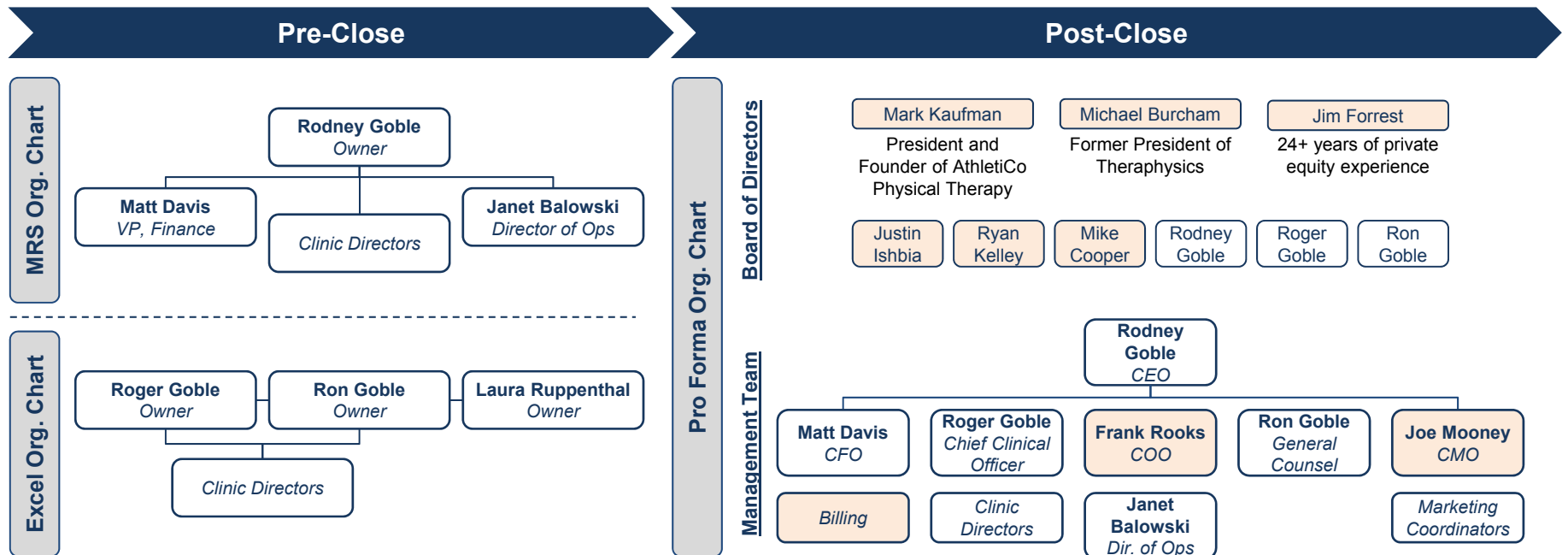


Leading MI Company at Acquisition

Provider	# of Clinics
1. US Physical Therapy	43
2. Physiotherapy Associates	43
3. RIM (Rehab Inst. of Mich)	31
4. Dwight Orthopedic Rehab	22
5. Pro Forma Excel / MRS	17

Established Corporate Infrastructure for Growth

- Shore identified Michigan Rehabilitation Specialists (“MRS”) and Excel Rehabilitation Services (“Excel”) as potential acquisitions targets in late 2010 and reviewed the companies with its two operating partners Frank Rooks and Joe Mooney
- At close, Shore established the corporate infrastructure to scale the company:
 - Built a Board of Directors with independent industry experts
 - Integrated the leadership of both companies and established a central back-office
 - Recruited talented executives to improve the company’s marketing and billing operations








Existing New

Integrated Four Companies Into One Platform

- **Shore built its platform by acquiring and integrating four physical therapy companies**
 - The companies had complementary footprints and combined to form a premier outpatient physical therapy provider in Southeast Michigan
 - Shore created a unified management team to lead the consolidated platform

Acquired Four Companies

Company	Acq. Date	Notes
 Michigan Rehabilitation Specialists  Physical Therapy & Wellness	5/2/2012	<ul style="list-style-type: none"> • Western Detroit suburbs • High growth platform • Corporate Foundation
 EXCEL Rehabilitation Services Physical Therapy Occupational Therapy	5/2/2012	<ul style="list-style-type: none"> • Northern Detroit suburbs and Northern Michigan • Stable referral sources
 QUANTUM Physical Therapy	6/25/2013	<ul style="list-style-type: none"> • Ann Arbor suburbs • Major workers comp focus • Strong referral source base
 Michigan Rehabilitation Specialists Davison	6/25/2013	<ul style="list-style-type: none"> • Central Michigan • High growth clinic • Growing referral source base

Created One Physical Therapy Platform

- **Unified Leadership Team**
 - Utilized office space in Hamburg, MI as the company headquarters
 - Constituted a united organizational structure with senior and mid-level managers
- **Integrated Company Operations**
 - Centralized accounting personnel to Hamburg
 - Combined payroll and employee benefits
 - Implemented single employee handbook
- **Improved billing and collections**
 - Consolidated all payor contracts to one entity
 - Used the platform's regional scale to increase reimbursement rates
 - Reviewed billing and collections operations and began in-house billing conversion

Enhanced Operations

- **Shore supported the platform’s growth by professionalizing the business with new hires, tools and processes**
 - Improved metric management, advanced understanding of patient trends, and began development of in-house billing operation

Metric Management

	Pre SCP PT	Post SCP PT
13 Week Cash Flow Report	-	√
Monthly Accrual Financials	-	√
Weekly Dashboard	-	√
Cash Collections Dashboard	-	√
Annual Audit	-	√
Patient Surveys	-	√
Cloud Based Clinic Reporting	-	√

Other Operational Initiatives



- Hired experienced billing manager and staff
- Completed partial conversion to in-house billing operation ⁽¹⁾



- System drove increased clinical efficiency and patient convenience
- Completed pilot process with four de novo clinics ⁽¹⁾



- Consolidated payor contracts to single Tax ID
- Utilized scale to increase rates

(1) Conversion halted once LOI was signed with ATI in mid-2013.

Sale Dynamics

- The company became an attractive acquisition target within one year of the investment given strong growth and favorable market dynamics
 - The offer from ATI exceeded the projected 2017 base case valuation
 - Timing was right for exit with market dynamics

