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

FORM 10-Q

(MARK ONE)

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2024

OR

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

FOR THE TRANSITION PERIOD FROM _____TO _____

COMMISSION FILE NUMBER 1-11151

U.S. PHYSICAL THERAPY, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

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

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

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

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

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

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

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

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

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

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

As of May 8, 2024, the number of shares outstanding (issued less treasury stock) of the registrant's common stock, par value $.01 per share, was: 15,068,085.

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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)

ASSETS	March 31, 2024 (unaudited)	December 31, 2023
Current assets:		
Cash and cash equivalents	$ 132,290	$ 152,825
Patient accounts receivable, less provision for credit losses of $2,936 and $2,736, respectively	55,363	51,866
Accounts receivable - other	21,774	17,854
Other current assets	11,715	10,830
Total current assets	221,142	233,375
Fixed assets:		
Furniture and equipment	65,550	63,982
Leasehold improvements	47,458	46,941
Fixed assets, gross	113,008	110,923
Less accumulated depreciation and amortization	(86,757)	(84,821)
Fixed assets, net	26,251	26,102
Operating lease right-of-use assets	102,113	103,431
Investment in unconsolidated affiliate	12,160	12,256
Goodwill	534,271	509,571
Other identifiable intangible assets, net	116,888	109,682
Other assets	4,431	2,821
Total assets	$ 1,017,256	$ 997,238
LIABILITIES, REDEEMABLE NON-CONTROLLING INTEREST, USPH SHAREHOLDERS' EQUITY AND NON-CONTROLLING INTEREST		
Current liabilities:		
Accounts payable - trade	$ 4,866	$ 3,898
Accrued expenses	53,749	55,344
Current portion of operating lease liabilities	34,699	35,252
Current portion of term loan and notes payable	9,222	7,691
Total current liabilities	102,536	102,185
Notes payable, net of current portion	804	1,289
Term loan, net of current portion and deferred financing costs	135,945	137,702
Deferred taxes	27,337	24,815
Operating lease liabilities, net of current portion	75,680	76,653
Other long-term liabilities	2,988	2,356
Total liabilities	345,290	345,000
Redeemable non-controlling interest - temporary equity	190,733	174,828
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, 17,282,822 and 17,202,291 shares issued, respectively	172	172
Additional paid-in capital	283,546	281,096
Accumulated other comprehensive gain	4,108	2,782
Retained earnings	223,573	223,772
Treasury stock at cost, 2,214,737 shares	(31,628)	(31,628)
Total USPH shareholders' equity	479,771	476,194
Non-controlling interest - permanent equity	1,462	1,216
Total USPH shareholders' equity and non-controlling interest - permanent equity	481,233	477,410
Total liabilities, redeemable non-controlling interest, USPH shareholders' equity and non-controlling interest - permanent equity	$ 1,017,256	$ 997,238

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

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

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Net patient revenue	$ 131,075	$ 126,581
Other revenue	24,600	21,928
Net revenue	155,675	148,509
Operating cost:		
Salaries and related costs	93,731	86,040
Rent, supplies, contract labor and other	31,916	30,100
Provision for credit losses	1,627	1,512
Total operating cost	127,274	117,652
Gross profit	28,401	30,857
Corporate office costs	14,085	13,859
Operating income	14,316	16,998
Other income (expense):		
Interest expense, debt and other	(1,968)	(2,560)
Interest income from investments	1,543	64
Change in fair value of contingent earn-out consideration	612	(698)
Change in revaluation of put-right liability	(80)	(149)
Equity in earnings of unconsolidated affiliate	271	274
Relief Funds	-	467
Other	62	-
Total other income (expense)	440	(2,602)
Income before taxes	14,756	14,396
Provision for income taxes	3,139	2,969
Net income	11,617	11,427
Less: Net income attributable to non-controlling interest:		
Redeemable non-controlling interest - temporary equity	(2,227)	(2,720)
Non-controlling interest - permanent equity	(1,344)	(1,297)
	(3,571)	(4,017)
Net income attributable to USPH shareholders	$ 8,046	$ 7,410
Basic and diluted earnings per share attributable to USPH shareholders (1)	$ 0.46	$ 0.58
Shares used in computation - basic and diluted	15,017	13,025
Dividends declared per common share	$ 0.44	$ 0.43

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

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

	Three Months Ended	
	March 31, 2024	March 31, 2023
Net income	$ 11,617	$ 11,427
Other comprehensive gain (loss):		
Unrealized gain (loss) on cash flow hedge	1,781	(1,817)
Tax effect at statutory rate (federal and state)	(455)	464
Comprehensive income	$ 12,943	$ 10,074
Comprehensive income attributable to non-controlling interest	(3,571)	(4,017)
Comprehensive income attributable to USPH shareholders	$ 9,372	$ 6,057

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

	Three Months Ended	
	March 31, 2024	March 31, 2023
OPERATING ACTIVITIES		
Net income including non-controlling interest	$ 11,617	$ 11,427
Adjustments to reconcile net income including non-controlling interest to net cash provided by operating activities:		
Depreciation and amortization	4,095	3,788
Provision for credit losses	1,627	1,512
Equity-based awards compensation expense	1,997	1,806
Amortization of debt issue costs	106	106
Change in deferred income taxes	1,943	221
Change in revaluation of put-right liability	80	149
Change in fair value of contingent earn-out consideration	(612)	698
Equity of earnings in unconsolidated affiliate	(271)	(274)
Loss on sale of fixed assets	5	-
Other	-	19
Changes in operating assets and liabilities:		
Increase in patient accounts receivable	(5,124)	(5,999)
Increase in accounts receivable - other	(3,985)	(796)
(Decrease) increase in other current and long term assets	(433)	1,897
Decrease in accounts payable and accrued expenses	(6,678)	(1,846)
Increase (decrease) in other long-term liabilities	52	(1,359)
Net cash provided by operating activities	4,419	11,349
INVESTING ACTIVITIES		
Purchase of fixed assets	(1,838)	(2,059)
Purchase of majority interest in businesses, net of cash acquired	(15,971)	(5,796)
Purchase of redeemable non-controlling interest, temporary equity	(2,702)	(5,178)
Purchase of non controlling interest, permanent equity	(498)	-
Proceeds on sale of non-controlling interest, permanent equity	23	-
Proceeds on sale of partnership interest - redeemable non-controlling interest, temporary equity	67	107
Distributions from unconsolidated affiliate	367	245
Other	88	-
Net cash used in investing activities	(20,464)	(12,681)
FINANCING ACTIVITIES		
Proceeds from revolving facility	-	7,000
Distributions to non-controlling interest, permanent and temporary equity	(3,160)	(3,297)
Principal payments on notes payable	(392)	(422)
Payments on term loan	(938)	(938)
Net cash (used in) provided by financing activities	(4,490)	2,343
Net (decrease) increase in cash and cash equivalents	(20,535)	1,011
Cash and cash equivalents - beginning of period	152,825	31,594
Cash and cash equivalents - end of period	$ 132,290	$ 32,605
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Income taxes	$ 367	$ 442
Interest paid	$ 1,844	$ 1,377
Non-cash investing and financing transactions during the period:		
Purchase of interest in businesses - seller financing portion	$ 500	$ 360
Notes payable related to purchase of redeemable non-controlling interest, temporary equity	$ -	$ 611
Offset of notes receivable associated with purchase of redeemable non-controlling interest	$ 75	$ -
Notes receivable related to sale of redeemable non-controlling interest, temporary equity	$ 315	$ 532
Notes receivable related to the sale of non-controlling interest, permanent equity	$ 243	$ -
Dividends payable to USPH shareholders	$ 6,630	$ 5,617

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)

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

	U.S.Physical Therapy, Inc.									
	Common Stock		Additional	Accumulated Other	Retained	Treasury Stock		Total Shareholders'	Non-Controlling	
	Shares	Amount	Paid-In Capital	Comprehensive Loss	Earnings	Shares	Amount	Equity	Interests	Total
Balance December 31, 2022	15,216	$ 152	$ 110,317	$ 4,004	$232,948	(2,215)	$(31,628)	$ 315,793	$ 1,260	$317,053
Net income attributable to USPH shareholders	-	-	-	-	7,410	-	-	7,410	-	7,410
Net income attributable to non-controlling interest - permanent equity	-	-	-	-	-	-	-	-	1,297	1,297
Issuance of restricted stock, net of cancellations	61	-	-	-	-	-	-	-	-	-
Revaluation of redeemable non-controlling interest, net of tax	-	-	-	-	(119)	-	-	(119)	-	(119)
Compensation expense - equity-based awards	-	-	1,806	-	-	-	-	1,806	-	1,806
Dividends payable to USPH shareholders	-	-	-	-	(5,617)	-	-	(5,617)	-	(5,617)
Distributions to non-controlling interest partners - permanent equity	-	-	-	-	-	-	-	-	(1,139)	(1,139)
Deferred taxes related to redeemable non-controlling interest - temporary equity	-	-	-	-	137	-	-	137	-	137
Other comprehensive gain	-	-	-	(1,353)	-	-	-	(1,353)	-	(1,353)
Other	-	-	-	-	1	-	-	1	-	1
Balance March 31, 2023	15,277	$ 152	$ 112,123	$ 2,651	$234,760	(2,215)	$(31,628)	$ 318,058	$ 1,418	$319,476

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. The Company’s reportable segments include the physical therapy operations segment and the industrial injury prevention services (“IIP”) segment. The Company’s physical therapy operations consist of physical therapy and occupational therapy clinics that provide pre-and post-operative care and treatment for orthopedic-related disorders, sports-related injuries, preventive care, rehabilitation of injured workers and neurological injuries. Services provided by the IIP segment include onsite injury prevention and rehabilitation, performance optimization and ergonomic assessments.

As of March 31, 2024, the Company operated 679 clinics in 42 states. In addition to the 679 clinics, the Company also managed 41 physical therapy practices for unrelated physician groups and hospitals as of March 31, 2024.

During the three months ended March 31, 2024, and for the year-ended December 31, 2023, the Company completed the acquisitions of the following clinic practices and IIP businesses:

Acquisition	Date	% Interest Acquired	Number of Clinics
March 2024 Acquisition	March 29, 2024	50%	9
October 2023 Acquisition	October 31, 2023	**	*
September 2023 Acquisition 1	September 29, 2023	70%	4
September 2023 Acquisition 2	September 29, 2023	70%	1
July 2023 Acquisition	July 31, 2023	70%	7
May 2023 Acquisition	May 31, 2023	45%	4
February 2023 Acquisition	February 28, 2023	80%	1

* *IIP business.*
** *On October 31, 2023, the Company concurrently acquired 100% of an IIP business and a 55% equity interest in an ergonomics software 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, 2023, filed with the Securities and Exchange Commission on February 29, 2024. Interim results are not necessarily indicative of the results the Company expects for the entire year.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company. All significant intercompany transactions have been eliminated.

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, loss 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 significantly impact an impairment assessment, necessitating an impairment charge. The Company evaluates indefinite-lived tradenames in conjunction with its annual goodwill impairment test.

The Company operates its business through two segments consisting of physical therapy operations and IIP. The reporting units within the Company's physical therapy business are comprised of six regions primarily based on each clinic's location. The IIP business consists of two reporting units.

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

For the three months ended March 31, 2024, no triggering events or indicators were identified that would require impairment assessments for such period. During the three and twelve months ended December 31, 2023, the Company recorded a charge of $15.8 million for goodwill impairment and a charge of $ 1.7 million for impairment of a tradename. The charges for impairment were related to one reporting unit in the IIP business. The impairment is related to a change in the reporting unit's current and projected operating income as well as various market inputs based on current market conditions. The Company did not recognize any impairment as a result of the Company's annual assessment of goodwill and tradename for the other seven reporting units. The Company also noted no impairment to long-lived assets for all reporting units.

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

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.

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.

Redeemable Non-Controlling Interest

The non-controlling interest that is reflected as redeemable non-controlling interest in the unaudited consolidated financial statements consist 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 at a predetermined formula based on a multiple of trailing twelve months earnings performance as defined in the respective limited partnership agreements. The redemption rights can be triggered by the owner or the Company at such time as both of the following events have occurred: 1) termination of the owner's employment, regardless of the reason for such termination, and 2) the passage of specified number of years after the closing of the transaction, typically three to five years, as defined in the limited partnership agreement. 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 adjustments in the redemption value, net of tax, directly to retained earnings and the adjustments are not reflected in the unaudited consolidated statements of net income. Although the adjustments are not reflected in the unaudited 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 unaudited consolidated statements of net income. Management believes the redemption value (i.e., the carrying amount) and fair value are the same.

Revenue Recognition

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

Patient Revenue

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

Other Revenue

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

Management contract revenue, which is also included in other revenue, is derived from contractual arrangements whereby the Company manages a clinic for third party owners. The Company does not have any ownership interest in these clinics. 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 salaries for the Company's employees, are recorded when incurred. Management contract revenue was $2.4 million and $1.8 million for the three months ended March 31, 2024, and March 31, 2023, 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 and hence its contractual allowance reserves. 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 within approximately 1.0% to 1.5% of net revenues. Additionally, analysis of subsequent periods' contractual write-offs on a payor basis reflects a difference within approximately 1.0% to 1.5% between the actual aggregate contractual reserve percentage as compared to the estimated contractual allowance reserve percentage associated with the same period end balance. 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 each balance sheet date.

Allowance for Credit Losses

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

Income Taxes

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

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

The Company did not have any accrued interest or penalties associated with any unrecognized tax benefits nor was any interest expense recognized during the three months ended March 31, 2024, and March 31, 2023. The Company records any interest or penalties, if required, in interest and other expense, as appropriate.

Fair Value of Financial Instruments

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

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

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

The carrying amounts reported in the balance sheets for cash and cash equivalents, certain contingent earn-out payments, accounts receivable, accounts payable and notes payable approximate their fair values due to the short-term maturity of these financial instruments. The carrying amount of the debt under the Third Amended and Restated Credit Agreement (defined as "Credit Agreement" in Note 8) 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").

The put right associated with the potential future purchase of the separate company in an IIP acquisition in 2027 is marked to fair value on a recurring basis using Level 3 inputs. The put right associated with the potential future purchase of the separate company is determined using a Monte Carlo simulation model utilizing unobservable inputs such as asset volatility and discount rates. The unobservable inputs used in the valuation of the put right as of March 31, 2024, include asset volatility of 25.0% and a discount rate of 11.6%. The value of this put right increased $80.0 thousand for the three months ended March 31, 2024. The put right was valued at approximately $1.0 million on March 31, 2024, and December 31, 2023.

The valuations 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. The fair value of the interest rate swap on March 31, 2024, was $5.5 million, of which $3.0 million has been included within Other current assets and $2.5 million has been included in Other assets in the accompanying unaudited Consolidated Balance Sheet. The impact of the interest rate swap on the accompanying unaudited Consolidated Statements of Comprehensive Income was an unrealized gain of $1.3 million, net of tax, for the three months ended March 31, 2024. See Note 9 for more information on the Company's interest rate derivative.

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

The consideration for some of the Company's acquisitions includes future payments that are contingent upon the occurrence of future operational 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 $10.8 million on March 31, 2024, and $12.5 million on December 31, 2023.

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, 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.

New Accounting Pronouncements

In March 2023, the FASB issued ASU 2023-01, Leases (Topic 842): Common Control Arrangements, which requires companies to amortize leasehold improvements associated with related party leases under common control over the useful life of the leasehold improvement to the common control group. The ASU is effective for annual reporting periods beginning on or after December 15, 2023; however, early adoption is permitted. The ASU can either be applied prospectively or retrospectively. The adoption of ASU 2023-01 did not have a material effect on the Company's financial statements.

In November 2023, the FASB issued ASU 2023-07 Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which requires disclosure on an annual and interim basis, of significant segment expenses that are regularly provided to the chief operating decision maker and included within the reported measure of segment profit or loss. In addition, the ASU requires disclosure of other segment expenses by reportable segment and a description of their composition to permit the reconciliation between segment revenue, significant segment expenses and the reported segment measure of profit or loss. The ASU also requires disclosure of the name and title of the chief operating decision maker. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, and early adoption is permitted. The Company is currently evaluating the impact of this accounting standard on its consolidated financial statements.

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 is currently evaluating the impact of this accounting standard on its 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 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			
	March 31, 2024		March 31, 2023	
	(In thousands, except per share data)			
Earnings per share				
Computation of earnings per share - USPH shareholders:				
Net income attributable to USPH shareholders	$	8,046	$	7,410
Charges to retained earnings:				
Revaluation of redeemable non-controlling interest		(1,439)		119
Tax effect at statutory rate (federal and state)		368		(30)
	$	6,975	$	7,499
Earnings per share (basic and diluted)	$	0.46	$	0.58
Shares used in computation - basic and diluted		15,017		13,025

3. Acquisitions of Businesses

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

The purchase price plus the fair value of the non-controlling interest for the acquisitions after March 31, 2023, were allocated to the fair value of the assets acquired, inclusive of identifiable intangible assets (i.e. tradenames, referral relationships and non-compete agreements) and liabilities assumed based on the estimated fair values at the acquisition date, with the amount in excess of fair values being recorded as goodwill. The Company is in the process of completing its formal valuation analysis of the acquisitions, to identify and determine the fair value of tangible and identifiable intangible assets acquired and the liabilities assumed. Thus, the final allocation of the purchase price may differ from the preliminary estimates used on March 31, 2024, 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 other acquisitions in 2023 and 2024.

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

During the three months ended March 31, 2024, the Company acquired a majority interest in the following businesses:

2024 Acquisitions

Acquisition	Date	% Interest Acquired	Number of Clinics
March 2024 Acquisition	March 29, 2024	50%	9

On March 29, 2024, the Company 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, the Company agreed to additional contingent consideration if future operational objectives are met. There is no maximum payout. The contingent consideration is valued at $0.5 million as of March 31, 2024.

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

	Physical Therapy Operations
	(In thousands)
Cash paid, net of cash acquired	$ 15,971
Seller note	500
Deferred payments	-
Contingent payments	500
Total consideration	$ 16,971
Estimated fair value of net tangible assets acquired:	
Total current assets	$ -
Total non-current assets	476
Total liabilities	(450)
Net tangible assets acquired	26
Customer and referral relationships	6,790
Non-compete agreement	328
Tradenames	1,672
Goodwill	25,056
Fair value of non-controlling interest (classified as redeemable non-controlling interest)	(16,901)
	$ 16,971

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

2023 Acquisitions

Acquisition	Date	% Interest Acquired	Number of Clinics
October 2023 Acquisition	October 31, 2023	**	*
September 2023 Acquisition 1	September 29, 2023	70%	4
September 2023 Acquisition 2	September 29, 2023	70%	1
July 2023 Acquisition	July 31, 2023	70%	7
May 2023 Acquisition	May 31, 2023	45%	4
February 2023 Acquisition	February 28, 2023	80%	1

* *IIP business.*

** *On October 31, 2023, the Company concurrently acquired 100% of an IIP business and a 55% equity interest in an ergonomics software business.*

On October 31, 2023, the Company concurrently acquired 100% of an IIP business and a 55% equity interest in an ergonomics software business. The previous owner of the ergonomics software business retained a 45% equity interest. The total purchase price of the combined businesses was approximately $ 4.0 million and was paid in cash.

On September 29, 2023, the Company acquired a 70% equity interest in a four-clinic physical therapy practice. The original owner of the practice retained 30% of the equity interests. The purchase price for the 70% equity interest was approximately $ 6.0 million, of which $5.4 million was paid in cash, and $ 0.6 million was in the form of a note payable. The note accrues interest at 5.0% per annum and the principal and interest are payable in two installments. The first payment of principal and interest of $0.3 million was paid in January 2024 and the second installment of $ 0.3 million is due on September 30, 2025.

In a separate transaction, on September 29, 2023, the Company acquired a 70% equity interest in a single clinic physical therapy practice. The owner of the practice retained 30% of the equity interests. The purchase price for the 70% equity interest was approximately $7.8 million, of which $7.4 million was paid in cash and $0.4 million is a deferred payment due on June 30, 2025.

On July 31, 2023, the Company acquired a 70% equity interest in a five-clinic practice. The practice's owners retained a 30% equity interest. The purchase price for the 70% equity interest was approximately $ 2.1 million, of which $1.8 million was paid in cash and $ 0.3 million is a deferred payment due on June 30, 2025.

On May 31, 2023, the Company and a local partner together acquired a 75% interest in a four-clinic physical therapy practice. After the transaction, the Company's ownership interest is 45%, the Company's local partner's ownership interest is 30%, and the practice's pre-acquisition owners have a 25% ownership interest. The purchase price for the 75% equity interest was approximately $ 3.1 million, of which $1.7 million was paid in cash by the Company, $1.1 million was paid in cash by the local partner, and $0.3 million was in the form of a note payable, (of which $ 0.2 million will be paid by the Company and $0.1 million will be paid by the local partner). The note will be paid on July 1, 2024. The Company guaranteed full payment of $0.3 million on its due date.

On February 28, 2023, the Company acquired an 80% interest in a one-clinic physical therapy practice. The practice's owners retained 20% of the equity interests. The purchase price for the 80% equity interest was approximately $ 6.2 million, of which $5.8 million was paid in cash and $ 0.4 million in the form of a note payable. The note accrues interest at 4.5% per annum and the principal and interest are payable on February 28, 2025.

The aggregate purchase price for the 2023 acquisitions has been preliminarily allocated as follows:

	IIP	Physical Therapy Operations	Total
		(In thousands)	
Cash paid, net of cash acquired	$ 3,955	$ 22,627	$ 26,582
Seller note	-	985	985
Deferred payments	-	830	830
Contingent payments	-	200	200
Total consideration	$ 3,955	$ 24,642	$ 28,597
Estimated fair value of net tangible assets acquired:			
Total current assets	$ 388	$ 1,079	$ 1,467
Total non-current assets	335	3,150	3,485
Total liabilities	(41)	(3,138)	(3,179)
Net tangible assets acquired	682	1,091	1,773
Customer and referral relationships	757	7,285	8,042
Non-compete agreement	37	359	396
Tradenames	187	1,580	1,767
Goodwill	2,566	25,160	27,726
Fair value of non-controlling interest (classified as redeemable non-controlling interest)	(274)	(10,833)	(11,107)
	$ 3,955	$ 24,642	$ 28,597

Besides the multi-clinic acquisitions referenced in the table above, the Company purchased the assets and business of eight physical therapy clinics in separate transactions.

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 2023, the values assigned to the customer and referral relationships and non-compete agreements are being amortized on a straight-line basis over their respective estimated lives. For customer and referral relationships, the weighted-average amortization period is 12.0 years. For the non-compete agreements, the weighted-average amortization period is 5.1 years. The values assigned to tradenames are tested annually for impairment.

4. Redeemable Non-Controlling Interest

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 occur in a series of steps which are described below.

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

2. In conjunction with the Acquisition, the Seller Entity contributes the 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”). The Purchase Agreement does not contain any future earn-out or other contingent consideration that is payable to the Seller Entity or the Selling Shareholders.

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

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

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

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

8. The Company and the Selling Shareholder (including both Employed Selling Shareholders and Selling Shareholders not employed by NewCo) execute a non-compete agreement (the “Non-Compete Agreement”) which restricts the Selling Shareholder from engaging in competing business 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 business during the Non-Compete Term.

9. The Non-Compete Term commences as of the date of the Acquisition and 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 a defined mileage radius from the 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 the fifth anniversary of 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 fifth anniversary of the Closing 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 shall have 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 fifth anniversary of the Closing 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 fifth anniversary of 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 fifth anniversary of the Closing 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 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 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 , 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, and the Seller Entity Interest is not required to be purchased by the Company or sold by the Seller Entity unless either the Put Right or the Call Right is exercised.

6. 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 businesses. The Progressive transaction was completed in a series of steps which are described below.

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

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

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

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

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

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

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

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

    b. Seven years from the date of the acquisition.

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

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

1. Progressive Put Right

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

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

2. Progressive Call Rights

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

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

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

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

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

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

Carrying Amounts of Redeemable Non-Controlling Interests

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

	Three Months Ended March 31, 2024	Year Ended December 31, 2023
	(In thousands)	
Beginning balance	$ 174,828	$ 167,515
Net income allocated to redeemable non-controlling interest partners	2,227	4,426
Distributions to redeemable non-controlling interest partners	(2,100)	(11,533)
Changes in the fair value of redeemable non-controlling interest	1,439	13,565
Purchases of redeemable non-controlling interest	(2,777)	(12,073)
Acquired interest	16,901	11,007
Sales of redeemable non-controlling interest	382	5,012
Changes in notes receivable related to redeemable non-controlling interest	(167)	(3,091)
Ending balance	$ 190,733	$ 174,828

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

	March 31, 2024	December 31, 2023
	(In thousands)	
Contractual time period has lapsed but holder's employment has not terminated	$ 76,938	$ 96,876
Contractual time period has not lapsed and holder's employment has not terminated	113,795	77,952
Holder's employment has terminated and contractual time period has expired	-	-
Holder's employment has terminated and contractual time period has not expired	-	-
	$ 190,733	$ 174,828

5. Goodwill

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

	Three Months Ended March 31, 2024	Year Ended December 31, 2023
	(In thousands)	
Beginning balance	$ 509,571	$ 494,101
Acquisitions	25,056	28,083
Adjustments for purchase price allocation of businesses acquired in prior year	(356)	3,187
Impairment of goodwill	-	(15,800)
Ending balance	$ 534,271	$ 509,571

For the three months ended March 31, 2024 and 2023, no triggering events or indicators were identified that would require impairment assessments as of such periods. During the year ended December 31, 2023, the Company recorded a charge for goodwill impairment of $15.8 million related to an IIP acquisition.

6. Intangible Assets, Net

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

	March 31, 2024			December 31, 2023		
	Gross Amount	Accumulated Amortization	Net Carrying Amount	Gross Amount	Accumulated Amortization	Net Carrying Amount
	(In thousands)					
Customer and referral relationships	$ 100,914	$ (32,231)	$ 68,683	$ 93,658	$ (30,414)	$ 63,244
Tradenames	46,145	-	46,145	44,573	-	44,573
Non-compete agreements	9,818	(7,758)	2,060	9,459	(7,594)	1,865
	$ 156,877	$ (39,989)	$ 116,888	$ 147,690	$ (38,008)	$ 109,682

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 7.0 to 14.0 years. Non-compete agreements are amortized over the respective term of the agreements which range from 5.0 to 6.0 years. For the three months ended March 31, 2024, the weighted average amortization period for customer and referral relationships was 12.7 years and the weighted average amortization period for non-compete agreements was 5.5 years. During the year ended December 31, 2023, the Company recognized a charge of $ 1.7 million related to the impairment of a tradename related to an IIP acquisition.

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

	Three Months Ended	
	March 31, 2024	March 31, 2023
	(In thousands)	
Customer and referral relationships	$ 1,818	$ 1,664
Non-compete agreements	163	153
	$ 1,981	$ 1,817

Based on the balance of referral relationships and non-compete agreements as of March 31, 2024, the expected amount to be amortized in 2024 and thereafter by year is as follows:

For the Year Ended December 31,	Customer and Referral Relationships	Non-Compete Agreements
	(In thousands)	
2024 (excluding the three months ended March 31, 2024)	$ 5,645	$ 497
2025	7,428	605
2026	6,960	465
2027	6,797	303
2028	6,528	169
Thereafter	$ 35,325	$ 21

7. Accrued Expenses

Accrued expenses consisted of the following:

	March 31, 2024	December 31, 2023
	(In thousands)	
Salaries and related costs	$ 17,104	$ 25,641
Credit balances due to patients and payors	7,905	8,847
Dividend payable	6,630	-
Group health insurance claims	2,658	2,301
Federal income taxes payable	1,915	1,006
Contingency payable	10,074	12,285
Other property taxes payable	386	355
Purchase of redeemable non-controlling interests	1,495	-
Interest payable	255	235
Closure costs	251	231
Other	5,076	4,443
Total	$ 53,749	$ 55,344

8. Borrowings

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

	March 31, 2024			December 31, 2023		
	Principal Amount	Unamortized discount and debt issuance cost	Net Debt	Principal Amount	Unamortized discount and debt issuance cost	Net Debt
	(In thousands)					
Term Facility	$ 143,437	$ (1,350)	$ 142,087	$ 144,375	$ (1,468)	$ 142,907
Revolving Facility	-	-	-	-	-	-
Other (1)	3,884	-	3,884	3,775	-	3,775
Total debt	147,321	(1,350)	145,971	148,150	(1,468)	146,682
Less: Current portion of long-term debt	9,642	(420)	9,222	8,111	(420)	7,691
Long-term debt, net of current portion	$ 137,679	$ (930)	$ 136,749	$ 140,039	$ (1,048)	$ 138,991

(1) The long-term portion is included as part of Other Long-Term Liabilities in the unaudited 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, and/or terminate the revolving loan commitments, in whole or in part, at any time without premium or penalty, subject to certain conditions.

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

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

As of March 31, 2024, $143.4 million was outstanding on the Term Facility while none was outstanding under the Revolving Facility resulting in $175.0 million of credit availability. As of March 31, 2024, the Company was in compliance with all of the covenants contained in the Credit Agreement.

The interest rate on the Company's term loan was 4.7% for the three months ended March 31, 2024, and 4.9% for the three months ended March 31, 2023, with an all-in effective interest rate, including all associated costs, of 5.3% and 5.5% over the same periods, respectively.

The Company generally enters into various notes payable as a means of financing a portion of its acquisitions and purchasing of non-controlling interests. In conjunction with acquisitions in the years ended December 31, 2022, 2023 and 2024, the Company entered into notes payable in the aggregate amount of $3.9 million, of which $3.1 million is due in 2025 and $0.8 million is due in 2026. Interest accrues in the range of 3.5% to 8.5% per annum and is payable with each principal installment.

9. Derivative Instruments

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

Interest Rate Swap

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

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

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

	Three Months Ended	
	March 31, 2024	March 31, 2023
	(In thousands)	
Net income	$ 11,617	$ 11,427
Other comprehensive gain (loss):		
Unrealized gain (loss) on cash flow hedge	1,781	(1,817)
Tax effect at statutory rate (federal and state)	(455)	464
Comprehensive income	12,943	10,074
Comprehensive income attributable to non-controlling interest	(3,571)	(4,017)
Comprehensive income attributable to USPH shareholders	$ 9,372	$ 6,057

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

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

	March 31, 2024	March 31, 2023
Interest rate swap:	(In thousands)	
Other current assets	$ 2,979	$ 2,614
Other assets	2,538	947
	$ 5,517	$ 3,561

10. Leases

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

The components of lease expense were as follows.

	Three Months Ended	
	March 31, 2024	March 31, 2023
	(In thousands)	
Operating lease cost	$ 9,953	$ 9,365
Short-term lease cost	265	274
Variable lease cost	2,369	2,132
Total lease cost *	$ 12,587	$ 11,771

** Sublease income was immaterial*

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

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

	Three Months Ended	
	March 31, 2024	March 31, 2023
	(In thousands)	
Cash paid for amounts included in the measurement of operating lease liabilities	$ 10,338	$ 9,646
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 7,727	$ 6,281

The aggregate future lease payments for operating leases as of March 31, 2024, were as follows.

Fiscal Year	Amount (In thousands)
2024 (excluding the three months ended March 31, 2024)	$ 29,610
2025	32,448
2026	24,492
2027	16,571
2028 and thereafter	16,512
Total lease payments	$ 119,633
Less: imputed interest	9,254
Total operating lease liabilities	$ 110,379

Average lease terms and discount rates were as follows.

	March 31, 2024	March 31, 2023
Weighted-average remaining lease term - Operating leases	3.9 years	4.0 years
Weighted-average discount rate - Operating leases	4.2%	3.1%

11. Segment Information

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

Physical Therapy Operations

The physical therapy operations segment primarily operates through subsidiary clinic partnerships ("Clinic Partnerships"), in which the Company generally owns a 1% general partnership interest in all the Clinic Partnerships. The Company's limited partnership interests generally range from 65% to 75% (the range is 10% - 99%) in the Clinic Partnerships. The managing therapist of each clinic owns, directly or indirectly, the remaining limited partnership interest in most of the clinics (hereinafter referred to as "Clinic Partnerships"). To a lesser extent, the Company operates some clinics, through wholly-owned subsidiaries, under profit sharing arrangements with therapists (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.

Besides the multi-clinic acquisitions referenced in the table above, during the three months ended March 31, 2024 and the year ended December 31, 2023, the Company purchased the assets and businesses of two and eight physical therapy clinics, respectively, in separate transactions.

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 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. The Company performs these services through Industrial Sports Medicine Professionals, consisting primarily of specialized certified athletic trainers (“ATCs”).

Segment Financials

The Company evaluates performance of the segments based on gross profit. The Company has provided additional information regarding its reportable segments which contributes to the understanding of the Company and provides useful information.

The following table summarizes selected financial data for the Company's reportable segments:

	Three Months Ended	
	March 31, 2024	March 31, 2023
	(In thousands)	
Net revenue:		
Physical therapy operations	$ 134,425	$ 129,159
Industrial injury prevention services	21,250	19,350
Total Company	$ 155,675	$ 148,509
Operating Costs:		
Salaries and related costs:		
Physical therapy operations	$ 79,774	$ 73,886
Industrial injury prevention services	13,957	12,154
Total salaries and related costs	$ 93,731	$ 86,040
Rent supplies, contract labor and other:		
Physical therapy operations	$ 28,960	$ 26,672
Industrial injury prevention services	2,956	3,428
Total rent, supplies, contract labor and other	$ 31,916	$ 30,100
Provision for credit losses:		
Physical therapy operations	$ 1,627	$ 1,512
Industrial injury prevention services	-	-
Total provision for credit losses	$ 1,627	$ 1,512
Total Company	$ 127,274	$ 117,652
Gross profit:		
Physical therapy operations	$ 24,064	$ 27,089
Industrial injury prevention services	4,337	3,768
Total Company	$ 28,401	$ 30,857
Total Assets:		
Physical therapy operations	$ 872,976	$ 726,422
Industrial injury prevention services	144,280	141,705
Total Company	$ 1,017,256	$ 868,127

12. Investment in Unconsolidated Affiliate

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

13. Subsequent Events

On May 7, 2024, the Company's Board of Directors declared a quarterly dividend of $ 0.44 per share payable on June 14, 2024, to shareholders of record on May 23, 2024.

On April 30, 2024, one of the Company's primary IIP businesses, Briotix Health Limited Partnership, acquired 100% of an IIP business for a closing purchase price of $24.0 million, with provision for additional purchase price based on the financial performance of the acquired business during the 12-month period after closing.

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, 2023 filed with the Securities and Exchange Commission (the "SEC") on February 29, 2024 ("2023 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 to be forward-looking statements within the meaning given such term under Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements contain forward-looking information relating to the financial condition, results of operations, plans, objectives, future performance and business of our Company. These statements (often using words such as "believes", "expects", "intends", "plans", "appear", "should" and similar words) involve risks and uncertainties that could cause actual results to differ materially from those we project. Included among such statements are those relating to opening 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;
- 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;
- 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;
- one of our acquisition agreements contains a put right related to a future purchase of a majority interest 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;
- 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 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, or may interfere with our ability to file and process claims for payment which could interfere with our collection of revenues from third party payors;
- maintaining clients for which we perform management, industrial injury prevention 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;
- if our noncompetition covenants with employed therapists are nullified, we may lose staff to competitors;
- 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 our reportable segments which include (1) the physical therapy operations segment and (2) the industrial injury prevention services ("IIP") segment. Our physical therapy operations consist of physical therapy and occupational therapy clinics that provide pre- and post-operative care and treatment for orthopedic-related disorders, sports-related injuries, preventive care, rehabilitation of injured workers and neurological injuries. Services provided by the IIP segment include onsite injury prevention and rehabilitation, performance optimization, post-offer employment testing, functional 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. These services are performed through Industrial Sports Medicine Professionals, consisting of both physical therapists and specialized certified athletic trainers.

During the three months ended March 31, 2024 ("2024 First Quarter") and for the year ended December 31, 2023, we completed the acquisitions of clinic practices and IIP businesses detailed below:

Acquisition	Date	% Interest Acquired	Number of Clinics
March 2024 Acquisition	March 29, 2024	50%	9
October 2023 Acquisition	October 31, 2023	**	*
September 2023 Acquisition 1	September 29, 2023	70%	4
September 2023 Acquisition 2	September 29, 2023	70%	1
July 2023 Acquisition	July 31, 2023	70%	7
May 2023 Acquisition	May 31, 2023	45%	4
February 2023 Acquisition	February 28, 2023	80%	1

* *IIP business.*

** *On October 31, 2023, we concurrently acquired 100% of an IIP business and a 55% equity interest in an ergonomics software business.*

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

	Three Months Ended	
	March 31, 2024	March 31, 2023
Number of clinics, beginning of period	671	640
Additions (1)	14	8
Closed or sold	(6)	(1)
Number of clinics, end of period	679	647

(1) Includes clinics added through acquisitions.

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

Our Board of Directors declared a quarterly dividend of $0.44 per share payable on June 14, 2024 to shareholders of record on May 23, 2024.

Regulatory Changes

The following is a discussion of some of the significant healthcare regulatory changes that have affected our financial performance in the periods covered by this report or are likely to affect our financial performance and financial condition in the future. The information below should be read in conjunction with the more detailed discussion of regulations contained in our 2023 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. The following is a summary of significant regulatory changes which have affected our results of operations as well as the policies and payment rates that may affect our future results of operations.

For calendar years 2021, 2022 and 2023, CMS's 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).

In the final 2020 MPFS rule, CMS clarified that when the physical therapist is involved for the entire duration of the service and the physical therapist assistant ("PTA") provides skilled therapy alongside the physical therapist, an identification of the PTA's participation (as denoted by a "CQ modifier") is not required. Also, when the same service (code) is furnished separately by the physical therapist and PTA, CMS applies the de minimis standard to each 15-minute unit of codes, not on the total physical therapist and PTA time of the service. For dates of service on and after January 1, 2022, CMS pays for physical therapy and occupational therapy services provided by PTAs and occupational therapist assistants ("OTAs") at 85% of the otherwise applicable Part B payment amount. CMS allows a timed service to be billed without a CQ (for PTA's) or CO (for OTA's) modifier when a PTA or OTA participates in providing care, but the physical therapist or occupational therapist meets the Medicare billing requirements without including the PTA's or OTA's minutes. This occurs when the physical therapist or occupational therapist provides more minutes than the 15-minute midpoint. The calendar year 2024 MPFS final rule did not contain any policy changes concerning the modifiers for services provided by physical therapy and occupational therapy assistants.

RESULTS OF OPERATIONS

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

- *Mature clinics* are clinics opened or acquired prior to January 1, 2023, and are still operating as of March 31, 2024.
- *Net rate per patient visit* is net patient revenue related to our physical therapy operations divided by total number of patient visits (defined below) during the periods presented.
- *Patient visits* is the number of unique patient visits during the periods presented.
- *Average daily visits per clinic* is patient visits divided by the number of days in which normal business operations were conducted during the periods presented and further divided by the average number of clinics in operation during the periods presented.
- *2024 First Quarter* refers to the three months ended March 31, 2024.
- *2023 First Quarter* refers to the three months ended March 31, 2023.

2024 First Quarter versus 2023 First Quarter

	Three Months Ended				Variance	
	March 31, 2024		March 31, 2023		$	%
	(In thousands, except percentages)					
Net patient revenue	$ 131,075	84.2%	$ 126,581	85.2%	$ 4,494	3.6%
Other revenue	24,600	15.8%	21,928	14.8%	2,672	12.2%
Net revenue	155,675	100.0%	148,509	100.0%	7,166	4.8%
Operating Cost:						
Salaries and related costs	93,731	60.2%	86,040	57.9%	7,691	8.9%
Rent, supplies, contract labor and other	31,916	20.5%	30,100	20.3%	1,816	6.0%
Provision for credit losses	1,627	1.0%	1,512	1.0%	115	7.6%
Total operating cost	127,274	81.8%	117,652	79.2%	9,622	8.2%
Gross Profit	28,401	18.2%	30,857	20.8%	(2,456)	-8.0%
Corporate office costs	14,085	9.0%	13,859	9.3%	226	1.6%
Operating Income	14,316	9.2%	16,998	11.4%	(2,682)	-15.8%
Other (expense) income:						
Interest expense, debt and other	(1,968)	-1.3%	(2,560)	-1.7%	592	-23.1%
Interest income from investments	1,543	1.0%	64	0.0%	1,479	2310.9%
Change in fair value of contingent earn-out consideration	612	0.4%	(698)	-0.5%	1,310	-187.7%
Change in revaluation of put-right liability	(80)	-0.1%	(149)	-0.1%	69	-46.3%
Equity in earnings of unconsolidated affiliate	271	0.2%	274	0.2%	(3)	-1.1%
Relief Funds	-	0.0%	467	0.3%	(467)	-100.0%
Other	62	0.0%	-	0.0%	62	*(1)
Total other (expense) income	440	0.3%	(2,602)	-1.8%	3,042	-116.9%
Income before taxes	14,756	9.5%	14,396	9.7%	360	2.5%
Provision for income taxes	3,139	2.0%	2,969	2.0%	170	5.7%
Net income	11,617	7.5%	11,427	7.7%	190	1.7%
Less: Net income attributable to non-controlling interest:						
Redeemable non-controlling interest - temporary equity	(2,227)	-1.4%	(2,720)	-1.8%	493	-18.1%
Non-controlling interest - permanent equity	(1,344)	-0.9%	(1,297)	-0.9%	(47)	3.6%
	(3,571)	-2.3%	(4,017)	-2.7%	446	-11.1%
Net income attributable to USPH shareholders	$ 8,046	5.2%	$ 7,410	5.0%	$ 636	8.6%

(1) Not meaningful.

Total net revenue for the 2024 First Quarter increased $7.2 million, or 4.8%, to $155.7 million from $148.5 million for the 2023 First Quarter while operating costs increased $9.6 million, or 8.2%, to $127.3 million from $117.7 million over the same periods, respectively. Total operating cost was $127.3 million for the 2024 First Quarter, or 81.8% of total revenue, as compared to $117.7 million or 79.2% of total revenue for the 2023 First Quarter. Gross profit for the 2024 First Quarter was $28.4 million, or 18.2% of net revenue, compared to $30.9 million for the 2023 First Quarter, or 20.8% of net revenue.

Net income attributable to our shareholders, a Generally Accepted Accounting Principle ("GAAP") measure, was $8.0 million for the 2024 First Quarter compared to $7.4 million for the 2023 First Quarter. In accordance with GAAP, the revaluation of redeemable non-controlling 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 for the 2024 First Quarter was $0.46 compared to $0.58 for the 2023 First Quarter.

The following table provides a calculation of earnings per share.

	Three Months Ended	
	March 31, 2024	March 31, 2023
	(In thousands, except per share data)	
Earnings per share		
Computation of earnings per share - USPH shareholders:		
Net income attributable to USPH shareholders	$ 8,046	$ 7,410
Charges to retained earnings:		
Revaluation of redeemable non-controlling interest	(1,439)	119
Tax effect at statutory rate (federal and state)	368	(30)
	$ 6,975	$ 7,499
Earnings per share (basic and diluted)	$ 0.46	$ 0.58
Shares used in computation - basic and diluted	15,017	13,025

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 (non-GAAP measures). Management believes providing Adjusted EBITDA and Operating Results to investors is useful information for comparing the Company's 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. Management uses 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 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, Relief Funds, changes in revaluation of put-right liability, equity-based awards compensation expense, other income and related portions for non-controlling interests.

Operating Results equals net income attributable to our shareholders less, changes in revaluation of a put-right liability, Relief Funds, changes in fair value of contingent earn-out consideration, 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 and Operating Results 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			
	March 31, 2024		March 31, 2023	
	(In thousands, except per share data)			
Adjusted EBITDA (a non-GAAP measure)				
Net income attributable to USPH shareholders	$	8,046	$	7,410
Adjustments:				
Provision for income taxes		3,139		2,969
Depreciation and amortization		4,095		3,788
Interest expense, debt and other, net		1,968		2,560
Interest income from investments		(1,543)		(64)
Equity-based awards compensation expense		1,997		1,806
Change in revaluation of put-right liability		80		149
Change in fair value of contingent earn-out consideration		(612)		698
Relief Funds		-		(467)
Other income		(62)		-
Allocation to non-controlling interests		(432)		(371)
	$	16,676	$	18,478
Operating Results (a non-GAAP measure)				
Net income attributable to USPH shareholders	$	8,046	$	7,410
Adjustments:				
Change in fair value of contingent earn-out consideration		(612)		698
Change in revaluation of put-right liability		80		149
Relief Funds		-		(467)
Allocation to non-controlling interests		-		33
Tax effect at statutory rate (federal and state)		136		(105)
	$	7,650	$	7,718
Operating Results per share (a non-GAAP measure)	$	0.51	$	0.59

Adjusted EBITDA was $16.7 million for the 2024 First Quarter compared to $18.5 million in the 2023 First Quarter, with the variance due to the Medicare rate reductions that took effect at the beginning of the year and the adverse impact of weather events in January 2024. The Medicare rate reductions decreased Adjusted EBITDA by approximately $1.7 million while the adverse weather resulted in a decrease in Adjusted EBITDA of approximately $1.3 million.

Operating Results was $7.7 million, or $0.51 per share, in the 2024 First Quarter as compared to $7.7 million, or $0.59 per share, in the 2023 First Quarter, with the decrease attributable to the increase in shares outstanding associated with the Company's secondary offering completed in May 2023, as well as the Medicare rate reduction and adverse impact of weather events in January 2024.

Physical Therapy Operations

	Three Months Ended		Variance	
	March 31, 2024	March 31, 2023	$	%
	(In thousands, except percentages)			
Revenue related to:				
Mature Clinics (1)	$ 123,267	$ 125,485	$ (2,218)	(1.8)%
Clinic additions (2)	7,561	371	7,190	* (6)
Clinics sold or closed (3)	247	725	(478)	* (6)
Net Patient Revenue	131,075	126,581	4,494	3.6%
Other (4)	3,350	2,578	772	29.9%
Total	134,425	129,159	5,266	4.1%
Operating costs (4)	110,361	102,070	8,291	8.1%
Gross profit	$ 24,064	$ 27,089	$ (3,025)	(11.2)%
Financial and operating metrics (not in thousands):				
Net rate per patient visit (1)	$ 103.37	$ 103.12	$ 0.25	0.2%
Patient visits (1)	1,268,002	1,227,490	40,512	3.3%
Average daily visits per clinic (1)	29.5	29.8	(0.3)	(1.0)%
Gross margin	17.9%	21.0%		
Salaries and related costs per visit, clinics (5)	$ 61.42	$ 59.14	$ 2.28	3.9%
Operating costs per visit, clinics (5)	$ 85.50	$ 81.97	$ 3.53	4.3%

(1) See *Glossary of Terms - Revenue Metrics* for definitions.
(2) Includes 14 clinics added during the 2024 First Quarter and 46 clinic added during the year ended December 31, 2023.
(3) Includes six clinics closed during the 2024 First Quarter and 15 clinics closed during the year ended December 31, 2023.
(4) Includes revenues and costs from management contracts.
(5) Per visit costs excludes management contract costs.
(6) Not meaningful.

Revenues

Net revenue from physical therapy operations increased $5.3 million, or 4.1%, to $134.4 million for the 2024 First Quarter from $129.2 million for the 2023 First Quarter. This increase was primarily due to the increase in visits from the 32 net new clinics added since the comparable prior year period partially offset by an approximate $3.6 million adverse impact of weather in January 2024. Additionally, net rate per patient visit increased to $103.37 for the 2024 First Quarter from $103.12 for the 2023 First Quarter. This increase was mainly driven by higher reimbursement rates from commercial and other payors as a result of contract negotiations and an increase in workers compensation as a percent of the Company’s total net patient revenues, partially offset by the Medicare rate reductions that took effect at the beginning of the year which decreased net patient revenues by approximately $1.9 million for the 2024 First Quarter. The Medicare rate reductions will be less impactful in future quarters as the Consolidated Appropriations Act of 2024 adjusted the Medicare rate reduction to 1.8% from 3.5%, effective on March 9, 2024. Other revenues increased $0.8 million, or 29.9%, to $3.4 million for the 2024 First Quarter from $2.6 million for the 2023 First Quarter due to the increase in the number of management contracts since the comparable prior year period.

Average daily visits per clinic was 29.5 for the 2024 First Quarter compared to 29.8 in the comparable prior year quarter. Total patient visits were 1,268,002 in the 2024 First Quarter, a 3.3% increase from 2023 First Quarter. Average daily visits per clinic in January 2024 of 27.4 were lower than the prior year of 28.9, while average daily visits per clinic in February and March of 2024 were higher than the prior year, the highest volumes for those two months in the Company’s history.

Operating costs

Operating costs from physical therapy operations increased by $8.3 million or 8.1% to $110.4 million in the 2024 First Quarter from $102.1 million in the 2023 First Quarter primarily driven by costs associated with the 32 net new clinics added since the comparable prior year period. Operating costs were 82.1% of net revenue for the 2024 First Quarter compared to 79.0% of net revenue for the 2023 First Quarter. On a per visit basis (excluding management contracts), operating costs increased to $85.50 for the 2024 First Quarter from $81.97 for the 2023 First Quarter.

Salaries and related costs related to clinics (excluding management contracts) increased to $77.9 million in the 2024 First Quarter from $72.6 million, in the 2023 First Quarter, an increase of $5.3 million, or 7.3%. Salaries and related costs per visit, related to clinics increased to $61.42 for the 2024 First Quarter from $59.14 for the 2023 First Quarter.

Rent, supplies, contract labor and other costs related to clinics (excluding management contracts) increased to $28.9 million in the 2024 First Quarter from $26.5 million in the 2023 First Quarter, an increase of $2.4 million, or 9.0% mostly due to the 32 net new clinics added since the comparable prior year period. Rent, supplies, contract labor and other costs, increased on a per visit basis to $22.80 for the 2024 First Quarter compared to $21.60 for the 2023 First Quarter. Operating costs related to management contracts increased $0.5 million from $1.4 million in the 2023 First Quarter to $1.9 million in the 2024 First Quarter.

The provision for credit losses was $1.6 million for the 2024 First Quarter and $1.5 million for the 2023 First Quarter. As a percentage of net revenues, the provision for credit losses was 1.0% for both the 2024 First Quarter and the 2023 First Quarter. Our provision for credit losses as a percentage of total patient accounts receivable was 5.0% on both March 31, 2024, and December 31, 2023.

Gross Profit

Gross profit from physical therapy operations in the 2024 First Quarter decreased $3.0 million, or 11.2%, to $24.1 million from $27.1 million in the 2023 First Quarter. The gross profit margin from physical therapy operations decreased to 17.9% in the 2024 First Quarter from 21.0% in the 2023 First Quarter.

Industrial Injury Prevention Services

	Three Months Ended		Variance	
	March 31, 2024	March 31, 2023	$	%
	(In thousands, except percentages)			
Net revenue	$ 21,250	$ 19,350	$ 1,900	9.8%
Operating costs	16,913	15,582	1,331	8.5%
Gross profit	$ 4,337	$ 3,768	$ 569	15.1%
Gross margin	20.4%	19.5%		

IIP revenues increased $1.9 million, or 9.8%, to $21.3 million for the 2024 First Quarter as compared to $19.4 million for the 2023 First Quarter. IIP operating costs increased $1.3 million, or 8.5%, versus the comparable prior year period. Gross profit from IIP operations in the 2024 First Quarter increased $0.6 million, or 15.1%, to $4.3 million from $3.8 million in the 2023 First Quarter. The gross profit margin from IIP operations increased to 20.4% in the 2024 First Quarter from 19.5% in the 2023 First Quarter.

Corporate Office Costs

Corporate costs increased $0.2 million, or 1.6%, to $14.1 million in the 2024 First Quarter from $13.9 million in 2023 First Quarter due to an increase in support costs related to the larger number of clinics and the timing of certain expenses.

Operating Income

Operating income was $14.3 million for the 2024 First Quarter compared to $17.0 million for the 2023 First Quarter.

Other (Expenses) Income

Interest Expense, Debt and Other

Interest expense decreased $0.6 million to $2.0 million (net of $0.9 million savings from the Company's interest rate swap arrangement discussed below in the "*Liquidity and Capital Resources – Interest Rate Swap"*) for the 2024 First Quarter compared to $2.6 million (net of $0.6 million savings from the interest rate swap arrangement) in the 2023 First Quarter due to a lower outstanding balance on our revolver, which we paid down in May 2023. The interest rate on the Company's term loan was 4.7% for the 2024 First Quarter and 4.9% for the 2023 First Quarter, with an all-in effective interest rate, including all associated costs, of 5.3% and 5.5% over the same periods, respectively.

Interest income from investment

Interest income from investing excess cash (primarily proceeds from the secondary offering sale of the Company's stock completed in May 2023) in a high-yield savings account was $1.5 million during the 2024 First Quarter.

Change in fair value of contingent earn-out consideration

We revalued contingent earn-out consideration related to certain acquisitions resulting in a gain of $0.6 million for the 2024 First Quarter compared to an expense of $0.7 million for the 2023 First Quarter.

Change in Revaluation of Put-Right Liability

We recorded an expense of $0.1 million on the revaluation of a put right liability for both 2024 First Quarter and 2023 First Quarter. The put-right relates to a prior IIP acquisition and the potential future purchase of a company that provides physical therapy and rehabilitation services to hospitals and other ancillary providers in a distinct market area.

Equity in earnings of unconsolidated affiliate

For both the 2024 First Quarter and 2023 First Quarter, we recognized an income of $0.3 million from a joint venture which provides physical therapy services for patients at hospitals. Since we are deemed to not have a controlling interest in the joint venture, our investment is accounted for using the equity method of accounting.

Provision for Income Taxes

The provision for income taxes was $3.1 million in the 2024 First Quarter compared to $3.0 million during the 2023 First Quarter while the effective tax rates were 28.1% and 28.6% over the same periods, respectively.

	Three Months Ended	
	March 31, 2024	**March 31, 2023**
	(In thousands, except percentages)	
Income before taxes	$ 14,756	$ 14,396
Less: Net income attributable to non-controlling interest:		
Redeemable non-controlling interest - temporary equity	(2,227)	(2,720)
Non-controlling interest - permanent equity	(1,344)	(1,297)
	$ (3,571)	$ (4,017)
Income before taxes less net income attributable to non-controlling interest	$ 11,185	$ 10,379
Provision for income taxes	$ 3,139	$ 2,969
Effective income tax rate	28.1%	28.6%

Net Income Attributable to Non-controlling Interest

Net income attributable to redeemable non-controlling interest (temporary equity) was $2.2 million in the 2024 First Quarter compared to $2.7 million in the 2023 First Quarter. Net income attributable to non-controlling interest (permanent equity) was $1.3 million for both the 2024 First Quarter and the 2023 First Quarter.

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 $132.3 million as of March 31, 2024 and $152.8 million as of December 31, 2023. Additionally, we had $143.4 million of outstanding borrowings and $175.0 million in available credit under our Revolving Facility as of March 31, 2024, compared to $144.4 million of outstanding borrowings and $175.0 million in available credit under our Revolving Facility as of December 31, 2023.

We believe that our cash and cash equivalents and availability under our Senior Credit Facilities are sufficient to fund the working capital needs of our operating subsidiaries through at least March 31, 2025.

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 additional acquisitions. We have, from time to time, purchased the non-controlling interests of limited partners in our existing partnerships. We may purchase additional non-controlling interests in the future. Generally, any acquisition or purchase of non-controlling interests is expected to be accomplished using our cash, financing, or a combination of the two.

We make reasonable and appropriate efforts to collect accounts receivable, including applicable deductible and co-payment amounts. Claims are submitted to payors daily, weekly or monthly in accordance with our policy or payor's requirements. When possible, we submit our claims electronically. The collection process is time consuming and typically involves the submission of claims to multiple payors whose payment of claims may be dependent upon the payment of another payor. Claims under litigation and vehicular incidents can take a year or longer to collect. Medicare and other payor claims relating to new clinics awaiting CMS approval initially may not be submitted for six months or more. When all reasonable internal collection efforts have been exhausted, accounts are written off prior to sending them to outside collection firms. With managed care, commercial health plans and self-pay payor type receivables, the write-off generally occurs after the account receivable has been outstanding for 120 days or longer. As of March 31, 2024, we have accrued $7.9 million related to credit balances, a portion of which is due to patients and payors. The credit balances are expected to be resolved or paid in the next twelve months.

Cash Flow

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

	Three Months Ended	
	March 31, 2024	March 31, 2023
Net cash provided by operating activities	$ 4,419	$ 11,349
Net cash used in investing activities	(20,464)	(12,681)
Net cash (used in) provided by financing activities	(4,490)	2,343

Operating Activities

Cash provided by operating activities was $4.4 million for the 2024 First Quarter as compared to $11.3 million for the 2023 First Quarter. This decrease in cash provided was mostly due to the timing of payments related to payroll.

Investing Activities

Cash used in investing activities for the 2024 First Quarter totaled $20.5 million and consisted of $19.2 million used in the purchase of interests in businesses and non-controlling interests (temporary and permanent), and $1.8 million of fixed assets purchases. These uses were partially offset by $0.1 million proceeds from the sale of non-controlling interests (temporary and permanent) and $0.4 million distributions received from an unconsolidated affiliate.

Financing Activities

Cash used in financing activities for the 2024 First Quarter, totaled $4.5 million and was comprised primarily of $3.2 million in distributions to non-controlling interests (temporary and permanent) and payments of $1.3 million related to notes payable and the term note.

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, and/or terminate the revolving loan commitments, 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.

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

As of March 31, 2024, $142.1 million, net of unamortized debt issuance costs of $1.4 million, was outstanding on the Term Facility while none was outstanding under the Revolving Facility resulting in $175.0 million of credit availability. As of March 31, 2024, we were in compliance with all of the covenants contained in the Credit Agreement. The interest rate on the Company's term loan was 4.7% for the 2024 First Quarter and 4.9% for the 2023 First Quarter, with an all-in effective interest rate, including all associated costs, of 5.3% and 5.5% 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 on a quarterly basis. The total interest rate in any period also includes an applicable margin based on our consolidated leverage ratio. In connection with the swap, no cash was exchanged between us and the counterparty.

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

As of March 31, 2024, the fair value of the interest rate swap was $5.5 million, an increase of $1.3 million, net of a $0.5 million, income tax effect, as compared to December 31, 2023. The fair value of the interest rate swap is included in Other assets (current and long term) in our consolidated balance sheet while the increase in fair value is presented as unrealized gain in our unaudited consolidated statements of comprehensive income. The interest rate swap arrangement has generated $0.9 million in interest savings for the period March 31, 2024. The average interest rate for the term facility, net of the savings from the swap, in the 2024 First Quarter was 4.7%.

Notes Payable and Deferred Payments Related to Acquisitions

We generally enter into various notes payable as a means of financing our acquisitions. Our present outstanding notes payable primarily relate to the acquisitions of a business or acquisitions of majority interests in such businesses. At March 31, 2024, our remaining outstanding balance on these notes aggregated $3.9 million, of which $3.1 million is payable in 2025, and $0.8 million is payable in 2026. 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 3.5% to 8.5% per annum.

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 of 4.5% per annum and the principal and the interest are payable on March 29, 2026. Additionally, we have an obligation to pay an additional amount based on certain future operational objectives being met. There is no maximum payout.

On September 29, 2023, we acquired a 70% equity interest in a four-clinic physical therapy practice. The owner of the practice retained 30% of the equity interests. The purchase price for the 70% equity interest was approximately $6.0 million, of which $5.4 million was paid in cash, and $0.6 million was in the form of a note payable. The note accrues interest at 5.0% per annum and the principal and interest are payable in two installments. The first payment of principal and interest of $0.3 million was paid January 2024, and the second installment of $0.3 million is due on September 30, 2025.

In a separate transaction, on September 29, 2023, we acquired a 70% equity interest in a single clinic physical therapy practice. The owner of the practice retained 30% of the equity interests. The purchase price for the 70% equity interest was approximately $7.8 million, of which $7.4 million was paid in cash and $0.4 million is a deferred payment due on June 30, 2025.

On July 31, 2023, we acquired a 70% equity interest in a five-clinic practice. The practice's owners retained a 30% equity interest. The purchase price for the 70% equity interest was approximately $2.1 million, of which $1.8 million was paid in cash and $0.3 million is a deferred payment due on June 30, 2025.

On May 31, 2023, we and a local partner together acquired a 75% interest in a four-clinic physical therapy practice. After the transaction, our ownership interest is 45%, our local partner's ownership interest is 30%, and the practice's pre-acquisition owners have a 25% ownership interest. The purchase price for the 75% equity interest was approximately $3.1 million, of which $1.7 million was paid in cash by us, $1.1 million was paid in cash by the local partner, and $0.3 million was in the form of a note payable, (of which $0.2 million will be paid by us and $0.1 million will be paid by the local partner). The note will be paid on July 1, 2024. We guaranteed the full payment of $0.3 million on its due date.

On February 28, 2023, we acquired an 80% interest in a one-clinic physical therapy practice. The practice's owners retained 20% of the equity interests. The purchase price for the 80% equity interest was approximately $6.2 million, of which $5.8 million was paid in cash and $0.4 million in the form of a note payable. The note accrues interest at 4.5% per annum and the principal and interest are payable on February 28, 2025.

Redeemable Non-Controlling Interest

Certain limited partnership agreements, as amended, provide that, upon the triggering events, we have a call right and the selling entity or individual has a put right for the purchase and sale of the limited partnership interest held by the partner. Once triggered, the put right and the call right do not expire, even upon an individual partner's death, and contain no mandatory redemption feature. The purchase price of the partner's limited partnership interest upon the exercise of either the put right or the call right is calculated per the terms of the respective agreements and classified as redeemable non-controlling interest (temporary equity) in our consolidated balance sheets. The fair value of the redeemable non-controlling interests on March 31, 2024, was $190.7 million.

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We maintain an interest rate swap arrangement which is considered a derivative instrument. Our indebtedness as of March 31, 2024 was the outstanding balance of seller notes from our acquisitions of $3.9 million, and an outstanding balance on our term note related to the Credit Agreement of $143.4 million. The Revolving Facility does not have a balance as of March 31, 2024, and is subject to fluctuating interest rates. A 1% change in the interest rate would yield no additional interest expense on the facility because of the interest rate swap described above. See Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - *Liquidity and Capital Resources* for more information.

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 quarter ended March 31, 2024 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.

ITEM 1A. RISK FACTORS.

The Company added the following risk factor in addition to our previously disclosed risk factors in Item 1A contained in Part I of our Annual Report on Form 10-K for the year ended December 31, 2023, and filed with the SEC on February 29, 2024.

If our noncompetition covenants with employed therapists are nullified, we may lose staff to competitors.

Many of our employed therapists have contractual non-competition agreements and covenants with the Company which, under certain circumstances, limit the employee's ability to terminate their employment with the Company to perform similar services for competing organizations within a defined geography for a specified period time after such termination. The Federal Trade Commission recently passed a Rule which purports to prohibit many forms of non-competition agreements with employees and, if the Rule becomes effective in its current form, also would require the Company, subject to certain exceptions, to nullify certain existing noncompetition agreements with employees. While the Rule is being challenged in federal court and is not effective, if the Rule in its current form or in a substantially similar form becomes effective, the Company could suffer a loss of staff which could have a material adverse effect on operations.

ITEM 5. OTHER INFORMATION.

Rule 105b-1 Trading Plans

The Company's directors and executive officers do not currently have 10b5-1plans. During the three months ended March 31, 2024, none of our directors or executive officers adopted or terminated 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.

ITEM 6. EXHIBITS.

Exhibit Number	Description
99.1	U. S. Physical Therapy, Inc. Objective Long-Term Incentive Plan for Senior Management for 2024, effective March 6, 2024 [incorporated by reference to Exhibit 99.1 to the Company Current Report on Form 8-K filed with the SEC on March 7, 2024].
99.2	U. S. Physical Therapy, Inc. Discretionary Long-Term Incentive Plan for Senior Management for 2024, effective March 6, 2024 [incorporated by reference to Exhibit 99.2 to the Company Current Report on Form 8-K filed with the SEC on March 7, 2024].
99.3	U. S. Physical Therapy, Inc. Objective Cash/RSA Bonus Plan for Senior Management for 2024, effective March 6, 2024 [incorporated by reference to Exhibit 99.3 to the Company Current Report on Form 8-K filed with the SEC on March 7, 2024].
99.4	U. S. Physical Therapy, Inc. Discretionary Cash/RSA Bonus Plan for Senior Management for 2024, effective March 6, 2024 [incorporated by reference to Exhibit 99.4 to the Company Current Report on Form 8-K filed with the SEC on March 7, 2024].
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

* 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: May 8, 2024

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

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
President and Chief Executive Officer
(Principal executive officer)

Date: May 8, 2024

EXHIBIT 31.2
CERTIFICATION

I, Carey Hendrickson, certify that:

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

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

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

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

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

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

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

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

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

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

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

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

Date: May 8, 2024

EXHIBIT 32
CERTIFICATION OF PERIODIC REPORT

In connection with the Quarterly Report of U.S. Physical Therapy, Inc. (the “Company”) on Form 10-Q for the three months ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Christopher J. Reading, President and Chief Executive Officer of the Company, and Carey Hendrickson, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

May 8, 2024

/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.