

Rehabilitative Therapy Market Tailwinds Drive M&A Activity

Commentary:

- The U.S. rehabilitation therapy service market size is projected to soar from \$50B in 2022 to ~\$70B by 2029 – an amazing 40% growth rate. The most prominent driving forces for growth include the following factors:
 - Increasing active lifestyles
 - Aging population and associated chronic illnesses
 - Modality preference of both patients and providers to use therapy in response to an ailment or injury rather than using opioids or other prescription medications
 - Ongoing shift to place more importance on personal care including preventative care
- Rehabilitation providers continue to benefit from an assorted payor mix comprised largely of commercial payers with steady reimbursement rates along with a smaller portion of private pay components which is continuing to lead to resilient financial performance in a post-COVID environment.
- Additionally, the temporary struggles clinics faced during COVID has accelerated the pace of consolidation within the industry as practices look to gain strength in scale by increasing efficiencies and leveraging fixed infrastructure.
- As such, M&A activity in the U.S. has exhibited strength, with 59 transactions in 2021, 52 acquisitions taking place in 2022, while YTD July 2023 saw 24 completed acquisitions.
- Going forward, we continue to see sustained strategic and financial investor interest in the space, providing a healthy M&A environment. This is driven by the 38,000 clinics across the U.S., limited operators of scale, and favorable reimbursement and demand trends.

Recent Notable Rehabilitative Therapy M&A Activity:



Target



Target



Target



Merger



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* Represents a transaction executed by principals of Hexagon Capital Alliance at a prior firm