

**Sector:** Health Care  
**Sub-Industry:** Health Care Facilities  
**Peer Group:** Long-Term Care - Smaller

**Summary:** This company operates 416 outpatient physical and occupational therapy clinics in 42 states in the United States as of December 31, 2011.

**Quantitative Evaluations**

**S&P Quality Ranking : B+**



**S&P Fair Value Rank: 4-**



**Fair Value Calc: \$25.80 (Slightly Undervalued)**

**S&P Investability Quotient Percentile**



USPH scored higher than 90% of all companies for which an S&P Report is available.

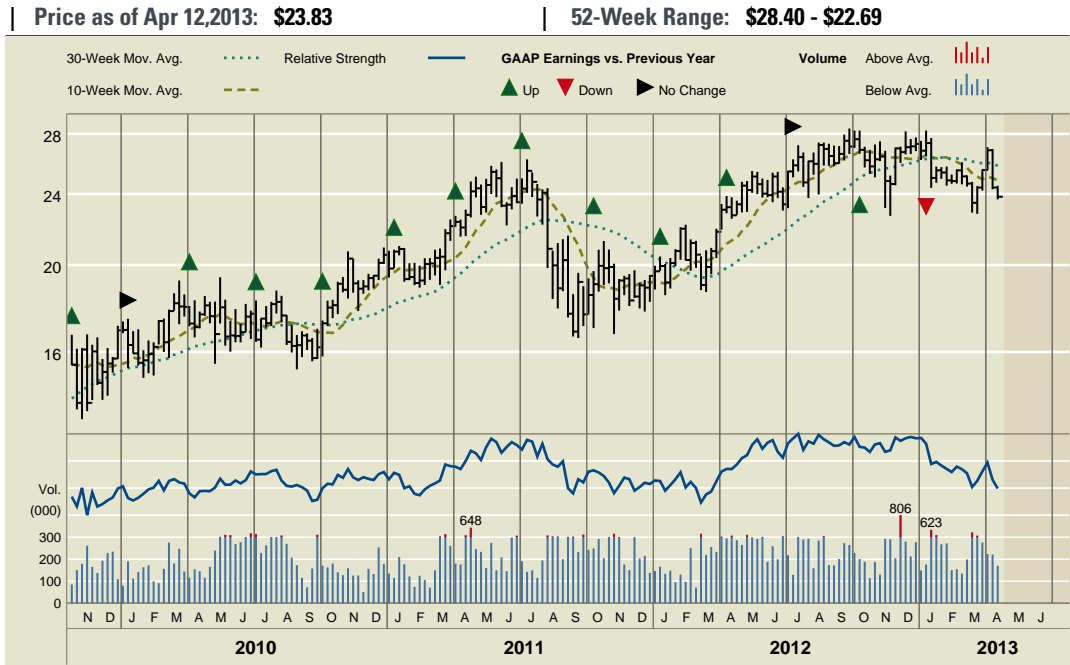
**Volatility: Average**



**Technical Evaluation: BULLISH**

Since August, 2012, the technical indicators for USPH have been BULLISH.

**Relative Strength Rank: Weak**



**Investment Strategy**

Key financial variables to consider in assessing the investment merits of an industrial company are the following:

**Sales:** What is the trend? Is future sales growth expected to be greater than the past 5-year and 9-year growth average? Accelerating sales growth ultimately provides the fuel behind earnings growth.

**Net Margin:** As a key measure of company profitability, a rising net margin assesses management capability to wring out more net income from incremental sales.

**% LT Debt to Capitalization:** A rising percentage implies greater financial risk, all else being equal. Rising debt leverage without a concomitant rise in Return on Equity should raise warning signals of potential cash flow problems. Percentages above 40%-50% should also be considered a warning.

**% Return on Equity:** A key performance measurement of capital efficiency assesses what investment returns management can earn on a company's existing capital base. A sustained percentage above 20% is considered above average.

**Key Growth Rates and Averages**

Past Growth Rate (%)	1 Year	3 Year	5 Year	9 Year
Sales	4.32	7.58	9.58	10.37
Net Income	-14.50	11.62	20.44	14.57

**Ratio Analysis (Average)**

Net Margin	7.25	9.26	7.79	7.02
%LT Debt to Capitalization	11.51	10.70	8.95	6.28
% Return on Equity	15.99	20.56	17.77	16.58

**Revenues/Earnings Data** Fiscal year ending Dec. 31

Revenues (Million \$)	2012	2011	2010	2009	2008	2007
1Q	62.58	56.74	50.40	48.17	45.25	34.62
2Q	63.96	59.91	54.10	51.79	47.39	35.46
3Q	62.85	59.67	53.40	51.04	47.23	37.76
4Q	62.69	60.68	53.33	50.42	47.81	44.15
Year	252.1	237.0	211.2	201.4	187.7	151.7
Earnings per Share (\$)	2012	2011	2010	2009	2008	2007
1Q	0.38	0.31	0.27	0.23	0.20	0.16
2Q	0.41	0.41	0.38	0.31	0.24	0.20
3Q	0.38	0.34	0.33	0.26	0.21	0.18
4Q	0.34	0.69	0.35	0.19	0.19	0.21
Year	1.51	1.75	1.32	1.00	0.83	0.75

**Next earnings report expected: NA**

Historical GAAP earnings are as reported.

**Key Stock Statistics**

Average Daily Volume	<b>0.050 mil.</b>	Beta	<b>1.05</b>
Market Capitalization	<b>\$0.280 Bil.</b>	Trailing 12 Month EPS	<b>\$1.51</b>
Institutional Holdings (%)	<b>88</b>	12 Month P/E	<b>15.8</b>
Shareholders of Record	<b>60</b>	Current Yield (%)	<b>1.68</b>

Value of \$10,000 Invested five yrs Ago : **\$16,238**

**Please read the required disclosures and Reg. AC certification on the last page of this report.**

This report was prepared by Standard & Poor's Quantitative Services.

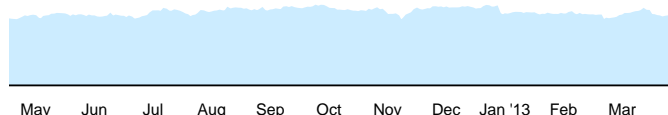
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**Wall Street Opinions/Average (Mean) Opinion: Buy/Hold**

	No. of Ratings	% of Total	1 Mo. Prior	3 Mo. Prior
Buy	3	50	3	2
Buy/Hold	2	33	2	2
Hold	1	17	1	2
Weak Hold	0	0	0	0
Sell	0	0	0	0
No Opinion	0	0	0	0
<b>Total</b>	<b>6</b>	<b>100</b>	<b>6</b>	<b>6</b>

**Insider Moves**

Insider Buys    Insider Sells    Price History



**Dividend Data** Dividend have been paid since 2011

Amount(\$)	Date Decl.	Ex. Div. Date	Stock of Record	Payment Date
0.090	Jul.30	Aug.16	Aug.20	Sep.07 '12
0.090	Nov.6	Nov.14	Nov.16	Dec.07 '12
.4 Spl.	Dec.4	Dec.12	Dec.14	Dec.27 '12
0.100	Mar.7	Mar.13	Mar.15	Mar.29 '13

**Company Financials** Fiscal year ending Dec. 31

Per Share Data & Valuation Ratios (\$)	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Tangible Book Value	0.42	0.40	1.47	2.08	1.60	2.35	3.01	3.31	3.64	3.33
Cash Flow	1.95	2.21	2.56	1.50	1.33	1.18	1.08	1.08	0.88	0.89
Earnings	1.51	1.75	1.32	1.00	0.83	0.75	0.70	0.73	0.54	0.61
Dividends	0.36	0.32	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Payout Ratio	24%	18%	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Prices:High	28.40	26.23	20.92	17.42	21.00	15.77	19.85	20.70	16.36	16.03
Prices:Low	18.51	16.58	14.97	6.71	9.00	11.89	10.99	13.27	12.00	9.65
P/E Ratio:High	19	15	16	17	25	21	28	28	30	26
P/E Ratio:Low	12	10	11	7	11	16	16	18	22	16

**Income Statement Analysis** (Million \$)

Revenue	247	237	211	201	188	151	135	132	118	106
Operating Income	43.3	41.4	39.0	34.2	29.8	24.7	23.1	23.8	20.6	20.6
Depreciation	5.29	5.45	5.67	5.90	5.97	4.99	4.49	4.31	4.32	3.59
Interest Expense	0.56	0.50	0.24	0.35	0.54	Nil	Nil	Nil	Nil	0.19
Pretax Income	37.3	40.9	33.5	28.1	23.6	20.0	18.9	19.2	16.1	16.8
Effective Tax Rate	30%	27%	26%	29%	28%	27%	27%	29%	25%	26%
Net Income	17.9	21.0	24.7	11.8	10.0	8.82	8.19	8.79	6.68	7.33

**Balance Sheet & Other Financial Data** (Million \$)

Cash	11.7	9.98	9.18	6.43	10.1	7.98	11.5	15.0	20.6	16.8
Current Assets	45.3	45.7	39.3	33.0	38.7	36.0	36.0	36.9	40.6	33.0
Total Assets	172	163	141	111	118	96.3	71.5	66.5	61.6	52.5
Current Liabilities	16.3	16.3	14.2	14.8	14.6	11.4	9.17	7.12	5.62	5.42
Long Term Debt	17.6	23.8	5.75	0.40	12.4	7.96	0.80	0.48	Nil	0.08
Common Equity	117	107	104	87.4	81.6	69.4	55.5	53.5	50.2	43.3
Total Capital	153	146	135	93.6	102	83.0	60.2	57.0	53.5	46.7
Capital Expenditures	4.23	3.22	3.67	3.88	4.30	4.03	4.66	4.53	4.97	5.13
Cash Flow	23.2	26.4	30.4	17.7	16.0	13.8	12.7	13.1	11.0	10.9
Current Ratio	2.8	2.8	2.8	2.3	2.7	3.2	3.9	5.2	7.2	6.1
% Long Term Debt of Capitalization	11.5	16.3	4.3	0.4	12.2	9.6	1.3	0.8	Nil	0.2
% Net Income of Revenue	7.3	8.9	11.7	5.8	5.3	5.8	3.0	6.7	5.6	6.9
% Return on Assets	10.7	13.8	19.6	10.3	9.3	10.5	11.9	13.7	11.5	15.7
% Return on Equity	16.0	19.9	25.8	13.9	13.3	14.1	15.0	17.0	14.3	19.3

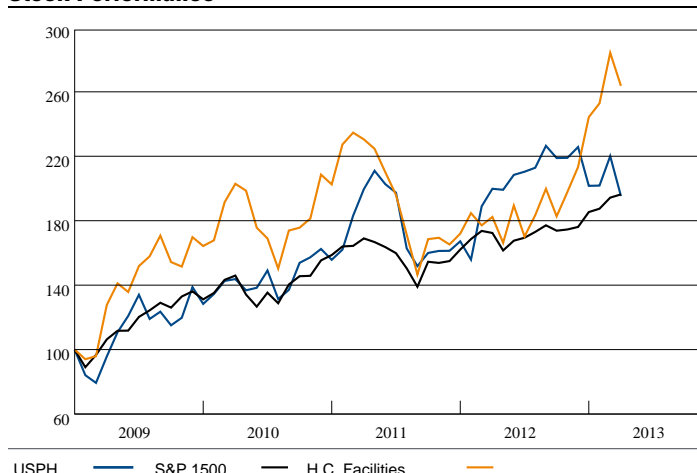
Data as orig. reptd; bef. results of disc opers/spec. items. Per share data adj. for stk. divs. as of ex-div date. NA-Not Available. NM-Not Meaningful. NR-Not Ranked.

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Vice Chrmn: D. C. Arnold

Dirs: D. C. Arnold, M. J. Brookner, H. S. Chapman, B. A. Harris, Jr., M. W. Johnston, L. W. McAfee, J. L. Pullins, C. J. Reading, R. E. Swanson, C. K. Trier  
Pres & CEO: C. J. Reading

EVP, CFO, Chief Acctg Officer & Investor Contact: Lawrence W. McAfee(713-297-7000)  
COO: G. D. McDowell  
Founded: 1992  
Domicile: Nevada  
Employees: 2,677

**Stock Performance**



	Company(%)	Industry(%)	S&P 1500(%)
YTD Return	-13.1	23.6	11.5
One Year Return	3.8	47.1	14.8
Three Year Return (% Annualized)	13.8	10.2	10.2
Five Year Return (% Annualized)	10.2	7.5	4.0
Value of \$10,000 Invested 5 Years Ago	\$16,238	\$14,380	\$12,191

**Sub-Industry Outlook**

Our fundamental outlook for health care facilities for the next 12 months is neutral. Despite what we view as strong results for the industry since the start of 2012, we see valuations remaining volatile ahead of the implementation of health care reform in 2014. We see acute care hospital admissions and inpatient surgeries remaining soft due to macro-economic challenges, with trends shifting to outpatient services and emergency room visits.

Over the long term, we see growing federal and state budget deficits keeping pressure on reimbursement rates for Medicare and Medicaid, which have seen enrollments rise, causing a less favorable patient mix for providers. To combat these headwinds, hospitals are focusing on enhancing quality of care and efficiency to preserve margins, and increasing the pace of M&A consolidation to drive economies of scale and diversify service offerings. We see incentive payments for those hospitals implementing health care IT initiatives providing an industry tailwind. Uncompensated care levels, consisting of bad debt expense, charity care and self-pay discounts, have remained above historical levels, though we expect the upholding and impending implementation of health care reform in 2014 to reduce these levels over time. However, we note that the number of new people seen joining the ranks of the insured has been lowered to 27 million from initial government projections of 32 million, and we think 2% Medicare cuts due to sequestration effective April 1, 2013, could pressure staffing and services.

Fiscal 2013 Medicare rates call for a 2.8% increase for acute care hospitals and a 0.5% rise for long-term acute care hospitals. We see stable

mid-single digit hikes in managed care rates supporting top-line growth, but we expect lower levels for government exchanges for newly insured patients set to begin in 2014.

Our outlook for the long-term care industry is neutral. The skilled nursing facility industry has navigated recent Medicare rate cuts through aggressive cost cuts. We expect flat reimbursement trends for fiscal 2013. We think that operators have taken steps to diversify through ancillary products and services such as rehab and hospice, while divesting underperforming centers. Longer term, despite favorable demographics due to an aging population, we expect reimbursement rate pressures to persist and these industry challenges to fuel consolidation.

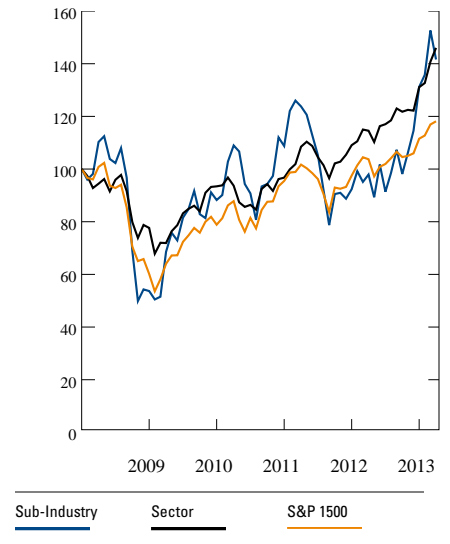
Year to date through March 28, the S&P Health Care Facilities Index rose 33.2%, compared to a 10.3% advance for the S&P 1500 Composite Index. In 2012, the sub-industry index rose 29.1%, compared to a 13.7% advance for the 1500.

--Steven Silver

**Stock Performance**

**GICS Sector: Health Care**  
**Sub-Industry: Health Care Facilities**

Based on S&P 1500 Indexes  
Month-end Price Performance as of 3/29/13



**NOTE:** All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

**Sub-Industry : Health Care Facilities Peer Group\*: Long-Term Care - Smaller**

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil. \$)	Recent Stock Price(\$)	52 Week High/Low(\$)	Beta	Yield (%)	P/E Ratio	Fair Value Calc.(\$)	Quality Ranking	S&P IQ %ile	Return on Revenue (%)	LTD to Cap (%)
<b>U.S. Physical Therapy</b>	<b>USPH</b>	<b>280</b>	<b>23.83</b>	<b>28.40/22.69</b>	<b>1.05</b>	<b>1.7</b>	<b>16</b>	<b>25.80</b>	<b>B+</b>	<b>90</b>	<b>7.2</b>	<b>11.5</b>
Diversicare Healthcare Services	DVCR	31	5.22	7.54/4.01	0.99	4.2	NM	NA	B-	45	NM	52.8
Emeritus Corp	ESC	1,227	27.24	30.95/14.24	2.27	Nil	NM	NA	C	17	NM	85.0
Natl Healthcare	NHC	641	45.25	50.17/40.75	0.59	2.7	13	NA	NR	68	7.6	1.5

NA-Not Available NM-Not Meaningful NR-Not Rated. \*For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

**S&P Analyst Research Notes and other Company News****March 11, 2013**

US Physical Therapy Inc. reported unaudited consolidated earnings results for the fourth quarter and year ended December 31, 2012. For the quarter, the company reported net revenues of \$62,694,000 against \$60,678,000 for the same period last year. Operating income was \$7,942,000 against \$7,715,000 for the same period last year. Income before taxes was \$7,836,000 against \$12,987,000 for the same period last year. Net income attributable to common shareholders was \$4,043,000 or \$0.34 per diluted share against \$8,229,000 or \$0.69 per diluted share for the same period last year. Adjusted net income attributable to common shareholders was \$4,043,000 or \$0.34 per diluted share against \$3,424,000 or \$0.29 per diluted share for the same period last year. For the year, the company reported net revenues of \$252,088,000 against \$237,006,000 for the same period last year. Operating income was \$37,803,000 against \$35,931,000 for the same period last year. Income before taxes was \$37,252,000 against \$40,880,000 for the same period last year. Net income attributable to common shareholders was \$17,933,000 or \$1.51 per diluted share against \$20,974,000 or \$1.75 per diluted share for the same period last year. Adjusted net income attributable to common shareholders was \$17,933,000 or \$1.51 per diluted share against \$16,169,000 or \$1.35 per diluted share for the same period last year. Net cash provided by operating activities was \$39,249,000 against \$32,655,000 for the same period last year. Purchase of fixed assets was \$4,234,000 against \$3,222,000 for the same period last year. The American Taxpayer Relief Act of 2012 enacted in January includes provisions which will reduce reimbursement for physical therapy services provided to Medicare patients. The new law increases the multiple procedures payment reduction ("MPPR") to 50% effective April 1, 2013. The estimated impact in 2013 to the Company from this rate reduction is up to \$0.18 per diluted share. On March 1, 2013, the sequester became effective which calls for an additional 2% cut in Medicare expenditures. The projected effect to the Company is to further reduce earnings by approximately \$.04 per diluted share in 2013.

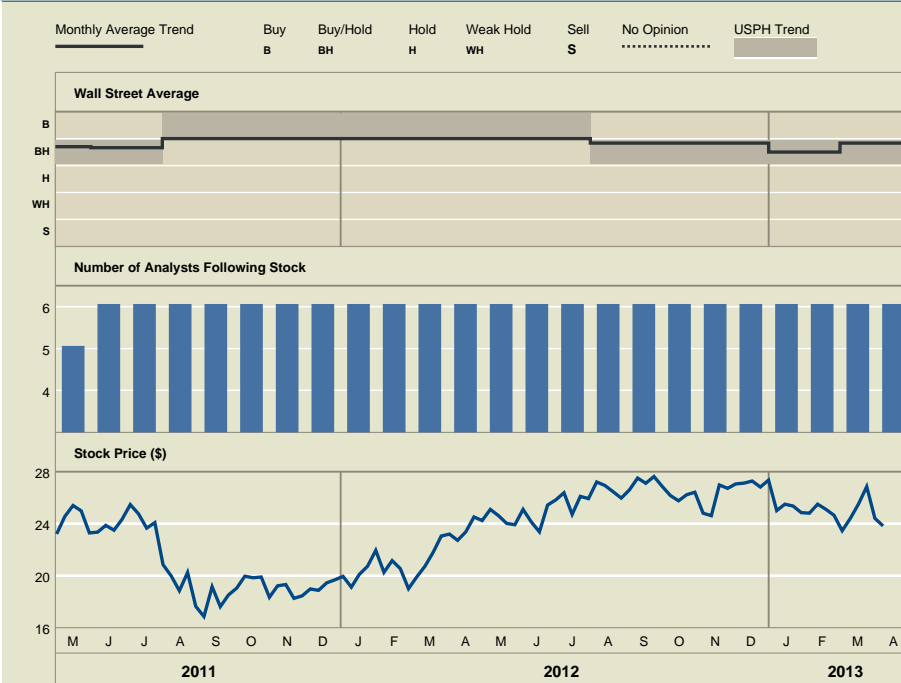
**January 9, 2013**

USPH announces that the American Taxpayer Relief Act of 2012 signed into law last week includes provisions which will reduce reimbursement for physical therapy services provided to Medicare patients. Estimates net income impact to co. from the rate reduction is \$1.6M to \$2.1M or \$0.13 to \$0.18 EPS in 2013.

**January 9, 2013**

12:19 pm ET ... US PHYSICAL THERAPY INC. (USPH 25.67) DOWN 2.03, US PHYSICAL (USPH) REPORTS REDUCED MEDICARE REIMBURSEMENT. JEFFERIES KEEPS BUY... Analyst Brian Tanquilut says USPH's disclosure of new reimbursement headwinds resulting from provisions embedded in the recently-enacted fiscal cliff legislation came as a surprise since the bill's therapy provisions seemed aimed primarily at therapy provided in SNFs (Skilled Nursing Facilities). While the unexpected rate cut is disappointing, believes USPH can partially mitigate this headwind (through operational improvements and heightened acquisition activity) and co.'s LT fundamentals and growth outlook remain intact. Maintains \$31 price target. M.Morrow

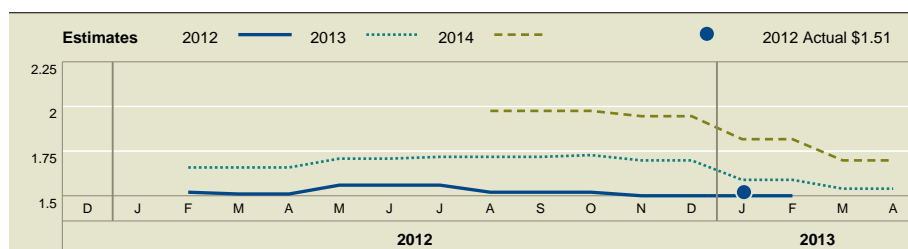
**Analysts' Recommendations**



Of the total 7 companies following USPH, 6 analysts currently publish recommendations.

	No. of Ratings	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	3	50	3	2
Buy/Hold	2	33	2	2
Hold	1	17	1	2
Weak Hold	0	0	0	0
Sell	0	0	0	0
No Opinion	0	0	0	0
<b>Total</b>	<b>6</b>	<b>100</b>	<b>6</b>	<b>6</b>

**Wall Street Consensus Estimates**



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2014	1.70	1.86	1.54	6	14.0
2013	1.54	1.71	1.41	6	15.5
<b>2014 vs. 2013</b>	<b>▲ 10%</b>	<b>▲ 9%</b>	<b>▲ 9%</b>	<b>0%</b>	<b>▼ -10%</b>
Q1'14	0.38	0.39	0.37	3	62.7
Q1'13	0.34	0.35	0.30	6	70.1
<b>Q1'14 vs. Q1'13</b>	<b>▲ 12%</b>	<b>▲ 11%</b>	<b>▲ 23%</b>	<b>▼ -50%</b>	<b>▼ -11%</b>

A company's earnings outlook plays a major part in any investment decision. Standard & Poor's organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years. This graph shows the trend in analyst estimates over the past 15 months.

**Wall Steet Consensus Opinion**

**BUY/HOLD**

**Companies Offering Coverage**

- CJS Securities, Inc.
- Dougherty & Company LLC
- JMP Securities
- Jefferies & Company, Inc.
- Noble Financial Group
- Sidoti & Company, LLC
- Stifel, Nicolaus & Co., Inc.

**Wall Street Consensus vs. Performance**

For fiscal year 2013, analysts estimate that USPH will earn \$1.54. For fiscal year 2014, analysts estimate that USPH's earnings per share will grow by 10% to \$1.70.

**Glossary**

**S&P Quality Ranking** - Growth and stability of earnings and dividends are deemed key elements in establishing S&P's quality ranking for common stocks, which are designed to capsule the nature of this record in a single symbol. It should be noted that, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B	Lower
A	High	B-	Below Average
A-	Above Average	C	Lowest
B+	Average	D	In Reorganization
NR	Not Ranked		

**S&P Fair Value Rank** - Using S&P's exclusive proprietary quantitative model, stocks are ranked in one of five groups, ranging from Group 5, listing the most undervalued stocks, to Group 1, the most overvalued issues. Group 5 stocks are expected to generally outperform all others. A positive (+) or negative (-) Timing Index is placed next to the Fair Value ranking to further aid the selection process. A stock with a (+) added to the Fair Value Rank simply means that this stock has a somewhat better chance to outperform other stock with the same Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following: 5-Stock is significantly undervalued; Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following: 5-Stock is significantly undervalued; 4-Stock is moderately undervalued; 3-Stock is fairly valued; 2-Stock is modestly overvalued; 1-Stock is significantly overvalued.

**Funds From Operations (FFO)** - FFO is Funds from Operations and equal to a REIT's net income, excluding gains or losses from sales of property, plus real estate depreciation.

**Fair Value Calculation** - The current price at which a stock should sell today as calculated by S&P's computers using our quantitative model based on the company's earnings, growth potential, return on equity relative to the S&P 500 and its industry group, price to book ratio history, current yield relative to the S&P 500, and other factors.

**Investability Quotient (IQ)** - The IQ is a measure of investment desirability. It serves as an indicator of potential medium-to-long-term return and as a caution against downside risk. The measure takes into account variables such as technical indicators, earnings estimates, liquidity, financial ratios and selected S&P proprietary measures.

**Standard & Poor's IQ Rationale:**

**U.S. Physical Therapy**

	Raw Score	Max Value
Proprietary S&P Measures	15	115
Technical Indicators	21	40
Liquidity/Volatility Measures	15	20
Quantitative Measures	67	75
<b>IQ Total</b>	<b>118</b>	<b>250</b>

**Volatility** - Rates the volatility of the stock's price over the past year.

**Technical Evaluation** - In researching the past market history of prices and trading volume for each company, S&P's computer models apply special technical methods and formulas to identify and project price trends for the stock.

**Relative Strength Rank** - Shows, on a scale of 1 to 99, how the stock has performed versus all other companies in S&P's universe on a rolling 13-week basis.

**Global Industry Classification Standard (GICS)** - An industry classification standard, developed by Standard & Poor's in collaboration with Morgan Stanley Capital International (MSCI). GICS is currently comprised of 10 Sectors, 24 Industry Groups, 67 Industries, and 147 Sub-Industries.

**Dividends on American Depositary Receipts (ADRs) and American Depositary Shares (ADSs) are net of taxes (paid in the country of origin).**

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