

SIKULI CAPITAL

Conviction through contrarian research

U.S. Physical Therapy (USPH)

Valuation Snapshot — Fair Value Range

As of May 20, 2026 | Outpatient PT clinic operator + IIP segment

CURRENT PRICE	PROBABILITY-WEIGHTED FAIR VALUE	FAIR VALUE RANGE
\$60	~\$72	\$48 - \$95
May 2026	Bull 25% / Base 50% / Bear 25%	~20% upside

Verdict: USPH delivered Q1 2026 record revenue of \$198.3M (+7.9%) but earnings were dragged by a \$2M loss on earn-out fair value (vs. \$4.8M gain prior-year). Adjusted EBITDA guidance was reaffirmed at \$102-106M^[1]. The stock has de-rated meaningfully (52-week range \$58-\$94) on reimbursement pressure concerns. At ~21x forward P/E for a defensive healthcare services business with steady cash flow and acquisition optionality, the asymmetry favors upside if reimbursement headwinds stabilize.

CURRENT SNAPSHOT

Metric	Value	Notes / Source
Stock price	~\$60	52w range \$58-\$94 ^[2]
Q1 2026 revenue	\$198.3M (+7.9%)	Record quarter ^[1]
Q1 2026 net income	\$5.0M	Hurt by \$2M earn-out loss ^[1]
Q1 2026 EPS	(\$0.12)	vs \$0.80 prior year ^[1]
FY26 Adj EBITDA guide	\$102M - \$106M	Reaffirmed ^[1]
Forward P/E (Yahoo)	21.2x	Other source 29.7x ^[3]

BULL / BASE / BEAR SCENARIOS

Scenario (weight)	Assumptions	Fair Value
Bull (25%)	Medicare reimbursement clarity, acquisition pipeline executes, multiple expands to 30x	\$95
Base (50%)	Hit guide (\$104M EBITDA), modest acquisitions, multiple holds at 23x	\$72
Bear (25%)	Medicare cuts deeper, labor cost pressure, multiple compresses to 17x	\$48

Scenario (weight)	Assumptions	Fair Value
Probability-weighted	Defensive healthcare services compounder; reimbursement risk caps upside, but cash flow is steady.	~\$72

Key Risks

- **Medicare reimbursement:** Annual PT reimbursement updates; 2026 saw further compression in some categories.
- **PT labor costs:** PT wage inflation outpacing revenue; staffing remains tight.
- **Earn-out volatility:** Acquisition earn-outs introduce P&L noise.
- **Acquisition execution:** Growth model depends on rolling up local PT practices; multiples bid up.

What Would Change Our View

- **Upside:** CMS reimbursement clarity, accretive M&A, IIP segment expansion.
- **Downside:** Reimbursement cuts deepen, labor costs spike, M&A pipeline slows.

Sources

[1] <https://www.sec.gov/Archives/edgar/data/0000885978/000088597826000019/ex99-1.htm>

[2] <https://finance.yahoo.com/quote/USPH/>

[3] <https://stockanalysis.com/stocks/usph/statistics/>

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