

STRATUM HEALTH ADVISORS

CASE STUDY N° 3 • DECISION ANALYSIS

Alignment Over Ownership

Why a disciplined partnership model outperformed the leveraged roll-up in the same sector, in the same years. An outpatient specialty decision analysis.

ABOUT THIS ANALYSIS

This case study is an independent strategic analysis prepared by Stratum Health Advisors using publicly available information, including company filings, press releases, and trade press. Stratum has no affiliation with, and has performed no engagement for, any company named herein, and possesses no confidential or non-public information about them. The analysis reflects Stratum's own interpretation for illustrative purposes; it is not investment, legal, or financial advice, and is not a recommendation regarding any security. Figures are drawn from cited public sources and were current as of publication. Company names and marks are the property of their respective owners.

The Fork

Through the 2021–2025 roll-up boom in outpatient physical therapy, operators faced a structural choice in how to consolidate. The private-equity-backed model — exemplified by platforms that levered up and bought aggressively — pursued speed and full ownership. U.S. Physical Therapy (USPH), the only pure-play publicly traded outpatient PT operator, chose a different structure entirely: a joint-venture partnership model in which it buys a majority interest but deliberately leaves 20–50% equity with the selling therapist-owners. This is an analysis of why the disciplined, partnership-led path outperformed the leveraged land grab in the same sector, at the same time.

The Landscape Before the Decision

- **The retention problem** — Outpatient PT is highly fragmented and exposed to a specific structural risk: the value of a clinic walks out the door if the clinicians leave. Talent retention is the sector's defining acquisition problem (Source: MatrixBCG competitive analysis, 2026).
- **Rate pressure** — Medicare reimbursement for PT has been under sustained pressure — cuts impacted USPH profits by roughly \$25 million in 2025 alone — punishing any model dependent on thin margins and heavy leverage (Source: USPH Q3 2025 results via DCF Modeling).
- **The leverage race** — PE-backed roll-ups (Upstream, Athletico and others) elevated acquisition multiples across 2024–2025, and at least one high-profile leveraged entrant became what analysts now call the sector's cautionary print (Source: MatrixBCG; CT Acquisitions PT M&A report, 2026).

The Decision Logic — Steelmanned

USPH's partnership model is not the obvious profit-maximizing choice on paper — surrendering 20–50% of the equity in every acquired clinic caps upside per deal. But the logic is that in a business where clinicians are the asset, alignment beats ownership. Leaving founders with meaningful equity keeps them motivated, retains the talent that generates the revenue, and minimizes the post-close integration failure that quietly destroys value in full-ownership roll-ups. USPH traded maximum ownership for maximum retention — and priced its deals with the discipline of a public company answerable to the market every quarter, rather than a leveraged sponsor racing a fund clock.

The Landscape After

- **Disciplined growth that compounded** — USPH grew to roughly 750 clinics across 42–45 states while posting record operating metrics: Q3 2025 revenue up 17.8% year over year, a record 32.2 average daily visits per clinic, and nine-month net income of \$35.4 million, up from \$22.2 million the prior year (Source: USPH filings; DCF Modeling, Nov 2025).
- **Built-in resilience** — The company progressively shifted its payer mix toward commercial insurance and workers' compensation, reducing its exposure to Medicare volatility — a structural hedge the leveraged players lacked (Source: MatrixBCG, 2026).
- **The counterfactual, made real** — The contrast is stark and same-sector: the canonical leveraged PT entrant that went public via SPAC in 2021 subsequently lost over 95% of its value amid underperformance and payer-mix stress, while USPH's partnership model delivered stable margins that outperformed leveraged peers (Source: CT Acquisitions PT M&A Multiples Report, 2026).

The Strategic Read — For Anyone Facing This Fork

This is the case where the disciplined, less-aggressive structure won outright — a useful corrective to the assumption that in a roll-up, whoever buys fastest wins. The tradeoff space for anyone consolidating a talent-dependent healthcare service:

DIMENSION	FULL-OWNERSHIP / LEVERAGED ROLL-UP	PARTNERSHIP / ALIGNED MODEL
Per-deal economics	Maximum ownership and upside	Capped by retained founder equity
Talent retention	At risk post-close; founders cashed out	Structurally protected; founders keep equity
Speed	Faster; sponsor capital, fewer negotiations	Slower; each deal is a partnership negotiation
Resilience to rate cuts	Low if over-levered on thin margins	Higher; discipline plus payer-mix flexibility
The failure mode	Integration collapse; talent flight; over-leverage	Leaving growth on the table to a faster rival

The honest counterpoint: the partnership model is slower, and in a genuine land grab, slow can lose. USPH's discipline worked partly because the leveraged players over-extended into rate cuts they could not absorb — a favorable environment for the tortoise. But the durable lesson holds: when the acquired asset is human and mobile, a structure that keeps that asset aligned and invested will outperform one that cashes it out, across a full rate cycle. Ownership is not the same as control of value.

WHERE STRATUM FITS

Consolidating a talent-dependent healthcare service and choosing your structure — full ownership, partnership, or hybrid? Stratum Health Advisors models the retention economics and the structure tradeoff on your actual targets. Start a conversation at stratumhealthadvisors.com.