

NEWS RELEASE

FOR IMMEDIATE RELEASE



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NYSE Symbol: SEM

Select Medical Holdings Corporation Announces Results For Its Fourth Quarter and Year Ended December 31, 2023 and Cash Dividend

MECHANICSBURG, PENNSYLVANIA — February 22, 2024 — Select Medical Holdings Corporation (“Select Medical,” “we,” “us,” or “our”) (NYSE: SEM) today announced results for its fourth quarter and year ended December 31, 2023 and the declaration of a cash dividend.

For the fourth quarter ended December 31, 2023, revenue increased 4.9% to \$1,658.9 million, compared to \$1,581.5 million for the same quarter, prior year. Income from operations increased 31.5% to \$114.3 million for the fourth quarter ended December 31, 2023, compared to \$86.9 million for the same quarter, prior year. Net income increased 63.9% to \$61.8 million for the fourth quarter ended December 31, 2023, compared to \$37.7 million for the same quarter, prior year. Adjusted EBITDA increased 20.9% to \$180.1 million for the fourth quarter ended December 31, 2023, compared to \$148.9 million for the same quarter, prior year. Earnings per common share increased 63.6% to \$0.36 for the fourth quarter ended December 31, 2023, compared to \$0.22 for the same quarter, prior year. The definition of Adjusted EBITDA and a reconciliation of net income to Adjusted EBITDA are presented in table IX of this release.

For the year ended December 31, 2023, revenue increased 5.2% to \$6,664.1 million, compared to \$6,333.5 million for the prior year. Income from operations increased 37.6% to \$554.9 million for the year ended December 31, 2023, compared to \$403.3 million for the prior year. For the year ended December 31, 2023, income from operations included \$1.8 million of other operating income, compared to \$28.8 million for the prior year. The other operating income for the year ended December 31, 2022, was principally related to the recognition of payments received under the Coronavirus Aid, Relief, and Economic Security Act Public Health and Social Services Emergency Fund, also referred to as the Provider Relief Fund. Net income increased 51.4% to \$299.7 million for the year ended December 31, 2023, compared to \$198.0 million for the prior year. Adjusted EBITDA increased 24.8% to \$807.4 million for the year ended December 31, 2023, compared to \$646.9 million for the prior year. Earnings per common share increased 54.9% to \$1.91 for the year ended December 31, 2023, compared to \$1.23 for the prior year. Adjusted earnings per common share increased 61.8% to \$1.99 for the year ended December 31, 2023, compared to \$1.23 for the prior year. Adjusted earnings per common share excludes the loss on early retirement of debt and related costs, and their related tax effects for the year ended December 31, 2023. The definition of Adjusted EBITDA and a reconciliation of net income to Adjusted EBITDA are presented in table IX of this release. A reconciliation of earnings per common share to adjusted earnings per common share is presented in table X of this release.

Company Overview

Select Medical is one of the largest operators of critical illness recovery hospitals, rehabilitation hospitals, outpatient rehabilitation clinics, and occupational health centers in the United States based on number of facilities. Select Medical's reportable segments include the critical illness recovery hospital segment, the rehabilitation hospital segment, the outpatient rehabilitation segment, and the Concentra segment. As of December 31, 2023, Select Medical operated 107 critical illness recovery hospitals in 28 states, 33 rehabilitation hospitals in 13 states, 1,933 outpatient rehabilitation clinics in 39 states and the District of Columbia, and 544 occupational health centers in 41 states. At December 31, 2023, Select Medical had operations in 46 states and the District of Columbia. Information about Select Medical is available at www.selectmedical.com.

Critical Illness Recovery Hospital Segment

For the fourth quarter ended December 31, 2023, revenue for the critical illness recovery hospital segment increased 0.9% to \$567.1 million, compared to \$561.9 million for the same quarter, prior year. Adjusted EBITDA for the critical illness recovery hospital segment increased 29.4% to \$57.4 million for the fourth quarter ended December 31, 2023, compared to \$44.3 million for the same quarter, prior year. The Adjusted EBITDA margin for the critical illness recovery hospital segment was 10.1% for the fourth quarter ended December 31, 2023, compared to 7.9% for the same quarter, prior year. Certain critical illness recovery hospital key statistics are presented in table VII of this release for the fourth quarters ended December 31, 2023 and 2022.

For the year ended December 31, 2023, revenue for the critical illness recovery hospital segment increased 2.9% to \$2,299.8 million, compared to \$2,234.1 million for the prior year. Adjusted EBITDA for the critical illness recovery hospital segment increased 121.0% to \$246.0 million for the year ended December 31, 2023, compared to \$111.3 million for the prior year. The Adjusted EBITDA margin for the critical illness recovery hospital segment was 10.7% for the year ended December 31, 2023, compared to 5.0% for the prior year. Certain critical illness recovery hospital key statistics are presented in table VIII of this release for the years ended December 31, 2023 and 2022.

Rehabilitation Hospital Segment

For the fourth quarter ended December 31, 2023, revenue for the rehabilitation hospital segment increased 9.4% to \$260.2 million, compared to \$237.9 million for the same quarter, prior year. Adjusted EBITDA for the rehabilitation hospital segment increased 18.4% to \$66.3 million for the fourth quarter ended December 31, 2023, compared to \$56.0 million for the same quarter, prior year. The Adjusted EBITDA margin for the rehabilitation hospital segment was 25.5% for the fourth quarter ended December 31, 2023, compared to 23.6% for the same quarter, prior year. Certain rehabilitation hospital key statistics are presented in table VII of this release for both the fourth quarters ended December 31, 2023 and 2022.

For the year ended December 31, 2023, revenue for the rehabilitation hospital segment increased 6.9% to \$979.6 million, compared to \$916.8 million for the prior year. Adjusted EBITDA for the rehabilitation hospital segment increased 12.0% to \$221.9 million for the year ended December 31, 2023, compared to \$198.0 million for the prior year. The Adjusted EBITDA margin for the rehabilitation hospital segment was 22.6% for the year ended December 31, 2023, compared to 21.6% for the prior year. Certain rehabilitation hospital key statistics are presented in table VIII of this release for the years ended December 31, 2023 and 2022.

Outpatient Rehabilitation Segment

For the fourth quarter ended December 31, 2023, revenue for the outpatient rehabilitation segment increased 6.1% to \$298.2 million, compared to \$281.1 million for the same quarter, prior year. Adjusted EBITDA for the outpatient rehabilitation segment increased 40.9% to \$22.5 million for the fourth quarter ended December 31, 2023, compared to \$15.9 million for the same quarter, prior year. The Adjusted EBITDA margin for the outpatient rehabilitation segment was 7.5% for the fourth quarter ended December 31, 2023, compared to 5.7% for the same quarter, prior year. Certain outpatient rehabilitation key statistics are presented in table VII of this release for the fourth quarters ended December 31, 2023 and 2022.

For the year ended December 31, 2023, revenue for the outpatient rehabilitation segment increased 5.7% to \$1,188.9 million, compared to \$1,125.3 million for the prior year. Adjusted EBITDA for the outpatient rehabilitation segment increased 9.8% to \$111.9 million for the year ended December 31, 2023, compared to \$101.9 million for the prior year. The Adjusted EBITDA margin for the outpatient rehabilitation segment was 9.4% for the year ended December 31, 2023, compared to 9.1% for the prior year. Certain outpatient rehabilitation key statistics are presented in table VIII of this release for the years ended December 31, 2023 and 2022.

Concentra Segment

For the fourth quarter ended December 31, 2023, revenue for the Concentra segment increased 6.2% to \$440.7 million, compared to \$415.0 million for the same quarter, prior year. Adjusted EBITDA for the Concentra segment increased 9.7% to \$68.3 million for the fourth quarter ended December 31, 2023, compared to \$62.2 million for the same quarter, prior year. The Adjusted EBITDA margin for the Concentra segment was 15.5% for the fourth quarter ended December 31, 2023, compared to 15.0% for the same quarter, prior year. Certain Concentra key statistics are presented in table VII of this release for the fourth quarters ended December 31, 2023 and 2022.

For the year ended December 31, 2023, revenue for the Concentra segment increased 6.6% to \$1,838.1 million, compared to \$1,724.4 million for the prior year. Adjusted EBITDA for the Concentra segment increased 8.1% to \$361.3 million for the year ended December 31, 2023, compared to \$334.3 million for the prior year. The Adjusted EBITDA margin for the Concentra segment was 19.7% for the year ended December 31, 2023, compared to 19.4% for the prior year. Certain Concentra key statistics are presented in table VIII of this release for the years ended December 31, 2023 and 2022.

Dividend

On February 13, 2024, Select Medical's board of directors declared a cash dividend of \$0.125 per share. The dividend will be payable on or about March 13, 2024 to stockholders of record as of the close of business on March 1, 2024.

There is no assurance that future dividends will be declared. The declaration and payment of dividends in the future are at the discretion of Select Medical's board of directors after taking into account various factors, including, but not limited to, Select Medical's financial condition, operating results, available cash and current and anticipated cash needs, the terms of Select Medical's indebtedness, and other factors Select Medical's board of directors may deem to be relevant.

Stock Repurchase Program

The board of directors of Select Medical has authorized a common stock repurchase program to repurchase up to \$1.0 billion worth of shares of its common stock. The common stock repurchase program will remain in effect until December 31, 2025, unless further extended or earlier terminated by the board of directors. Stock repurchases under this program may be made in the open market or through privately negotiated transactions, and at times and in such amounts as Select Medical deems appropriate. Select Medical funds this program with cash on hand and borrowings under its revolving credit facility.

Select Medical did not repurchase shares under its authorized stock repurchase program during the year ended December 31, 2023. Since the inception of the common stock repurchase program through December 31, 2023, Select Medical has repurchased 48,234,823 shares at a cost of approximately \$600.3 million, or \$12.45 per share, which includes transaction costs.

Business Outlook

Select Medical is issuing its business outlook for 2024. Select Medical expects revenue to be in the range of \$6.9 billion to \$7.1 billion, Adjusted EBITDA to be in the range of \$830 million to \$880 million, and fully diluted earnings per share to be in the range of \$1.88 to \$2.18. A reconciliation of full year 2024 Adjusted EBITDA expectations to net income is presented in table XI of this release.

Conference Call

Select Medical will host a conference call regarding its results for the fourth quarter and full year ended December 31, 2023, and its business outlook on Friday, February 23, 2024, at 9:00am ET. The conference call will be a live webcast and can be accessed at Select Medical Holdings Corporation's website at www.selectmedicalholdings.com. A replay of the webcast will be available shortly after the call through the same link.

For listeners wishing to dial-in via telephone, or participate in the question and answer session, you may pre-register for the call at [Select Medical Earnings Call Registration](#) to obtain your dial-in number and unique passcode.

Certain statements contained herein that are not descriptions of historical facts are “forward-looking” statements (as such term is defined in the Private Securities Litigation Reform Act of 1995), including statements related to Select Medical's 2024 and long-term business outlook. Because such statements include risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements due to factors including the following:

- changes in government reimbursement for our services and/or new payment policies may result in a reduction in revenue, an increase in costs, and a reduction in profitability;
- adverse economic conditions including an inflationary environment could cause us to continue to experience increases in the prices of labor and other costs of doing business resulting in a negative impact on our business, operating results, cash flows, and financial condition;
- shortages in qualified nurses, therapists, physicians, or other licensed providers, and/or the inability to attract or retain qualified healthcare professionals could limit our ability to staff our facilities;
- shortages in qualified health professionals could cause us to increase our dependence on contract labor, increase our efforts to recruit and train new employees, and expand upon our initiatives to retain existing staff, which could increase our operating costs significantly;
- public threats such as a global pandemic, or widespread outbreak of an infectious disease, similar to the COVID-19 pandemic, could negatively impact patient volumes and revenues, increase labor and other operating costs, disrupt global financial markets, and/or further legislative and regulatory actions which impact healthcare providers, including actions that may impact the Medicare program;
- the failure of our Medicare-certified long term care hospitals or inpatient rehabilitation facilities to maintain their Medicare certifications may cause our revenue and profitability to decline;
- the failure of our Medicare-certified long term care hospitals and inpatient rehabilitation facilities operated as “hospitals within hospitals” to qualify as hospitals separate from their host hospitals may cause our revenue and profitability to decline;
- a government investigation or assertion that we have violated applicable regulations may result in sanctions or reputational harm and increased costs;
- acquisitions or joint ventures may prove difficult or unsuccessful, use significant resources, or expose us to unforeseen liabilities;
- our plans and expectations related to our acquisitions and our ability to realize anticipated synergies;
- failure to complete or achieve some or all the expected benefits of the potential separation of Concentra;
- private third-party payors for our services may adopt payment policies that could limit our future revenue and profitability;
- the failure to maintain established relationships with the physicians in the areas we serve could reduce our revenue and profitability;
- competition may limit our ability to grow and result in a decrease in our revenue and profitability;
- the loss of key members of our management team could significantly disrupt our operations;
- the effect of claims asserted against us could subject us to substantial uninsured liabilities;

- a security breach of our or our third-party vendors' information technology systems may subject us to potential legal and reputational harm and may result in a violation of the Health Insurance Portability and Accountability Act of 1996 or the Health Information Technology for Economic and Clinical Health Act; and
- other factors discussed from time to time in our filings with the Securities and Exchange Commission (the "SEC"), including factors discussed under the heading "Risk Factors" of the annual report on Form 10-K for the year ended December 31, 2023.

Except as required by applicable law, including the securities laws of the United States and the rules and regulations of the SEC, we are under no obligation to publicly update or revise any forward-looking statements, whether as a result of any new information, future events, or otherwise. You should not place undue reliance on our forward-looking statements. Although we believe that the expectations reflected in forward-looking statements are reasonable, we cannot guarantee future results or performance.

Investor inquiries:

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SOURCE: Select Medical Holdings Corporation

I. Condensed Consolidated Statements of Operations
For the Three Months Ended December 31, 2022 and 2023
(In thousands, except per share amounts, unaudited)

| | 2022 | 2023 | % Change |
|--|--------------|--------------|-----------------|
| Revenue | \$ 1,581,456 | \$ 1,658,856 | 4.9 % |
| Costs and expenses: | | | |
| Cost of services, exclusive of depreciation and amortization | 1,408,784 | 1,447,086 | 2.7 |
| General and administrative | 38,763 | 44,090 | 13.7 |
| Depreciation and amortization | 52,246 | 53,984 | 3.3 |
| Total costs and expenses | 1,499,793 | 1,545,160 | 3.0 |
| Other operating income | 5,201 | 557 | N/M |
| Income from operations | 86,864 | 114,253 | 31.5 |
| Other income and expense: | | | |
| Equity in earnings of unconsolidated subsidiaries | 6,759 | 10,195 | 50.8 |
| Interest expense | (47,341) | (50,800) | 7.3 |
| Income before income taxes | 46,282 | 73,648 | 59.1 |
| Income tax expense | 8,570 | 11,850 | 38.3 |
| Net income | 37,712 | 61,798 | 63.9 |
| Less: Net income attributable to non-controlling interests | 10,208 | 15,529 | 52.1 |
| Net income attributable to Select Medical | \$ 27,504 | \$ 46,269 | 68.2 % |
| Basic and diluted earnings per common share: ⁽¹⁾ | \$ 0.22 | \$ 0.36 | |

(1) Refer to table III for calculation of earnings per common share.

N/M Not meaningful.

II. Condensed Consolidated Statements of Operations
For the Years Ended December 31, 2022 and 2023
(In thousands, except per share amounts, unaudited)

| | 2022 | 2023 | % Change |
|--|--------------|--------------|-----------------|
| Revenue | \$ 6,333,538 | \$ 6,664,058 | 5.2 % |
| Costs and expenses: | | | |
| Cost of services, exclusive of depreciation and amortization | 5,600,161 | 5,732,017 | 2.4 |
| General and administrative | 153,035 | 170,193 | 11.2 |
| Depreciation and amortization | 205,825 | 208,742 | 1.4 |
| Total costs and expenses | 5,959,021 | 6,110,952 | 2.5 |
| Other operating income | 28,766 | 1,768 | N/M |
| Income from operations | 403,283 | 554,874 | 37.6 |
| Other income and expense: | | | |
| Loss on early retirement of debt | — | (14,692) | N/M |
| Equity in earnings of unconsolidated subsidiaries | 26,407 | 40,813 | 54.6 |
| Interest expense | (169,111) | (198,639) | 17.5 |
| Income before income taxes | 260,579 | 382,356 | 46.7 |
| Income tax expense | 62,553 | 82,625 | 32.1 |
| Net income | 198,026 | 299,731 | 51.4 |
| Less: Net income attributable to non-controlling interests | 39,032 | 56,240 | 44.1 |
| Net income attributable to Select Medical | \$ 158,994 | \$ 243,491 | 53.1 % |
| Basic and diluted earnings per common share: ⁽¹⁾ | \$ 1.23 | \$ 1.91 | |

(1) Refer to table III for calculation of earnings per common share.

N/M Not meaningful.

III. Earnings per Share

For the Three Months and Years Ended December 31, 2022 and 2023

(In thousands, except per share amounts, unaudited)

Select Medical's capital structure includes common stock and unvested restricted stock awards. To compute earnings per share ("EPS"), Select Medical applies the two-class method because its unvested restricted stock awards are participating securities which are entitled to participate equally with its common stock in undistributed earnings.

The following table sets forth the net income attributable to Select Medical, its common shares outstanding, and its participating securities outstanding for the three months and years ended December 31, 2022 and 2023:

| | Basic and Diluted EPS | | | |
|--|------------------------------------|------------------|-----------------------------|-------------------|
| | Three Months Ended December 31, | | Years Ended December 31, | |
| | 2022 | 2023 | 2022 | 2023 |
| Net income | \$ 37,712 | \$ 61,798 | \$ 198,026 | \$ 299,731 |
| Less: net income attributable to non-controlling interests | 10,208 | 15,529 | 39,032 | 56,240 |
| Net income attributable to Select Medical | 27,504 | 46,269 | 158,994 | 243,491 |
| Less: net income attributable to participating securities | 1,002 | 1,633 | 5,609 | 8,773 |
| Net income attributable to common shares | <u>\$ 26,502</u> | <u>\$ 44,636</u> | <u>\$ 153,385</u> | <u>\$ 234,718</u> |

The following tables set forth the computation of EPS under the two-class method for the three months and years ended December 31, 2022 and 2023:

| | Three Months Ended December 31, | | | | | |
|--------------------------|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2022 | | | 2023 | | |
| | Net Income Allocation | Shares ⁽¹⁾ | Basic and Diluted EPS | Net Income Allocation | Shares ⁽¹⁾ | Basic and Diluted EPS |
| | (in thousands, except for per share amounts) | | | | | |
| Common shares | \$ 26,502 | 122,511 | \$ 0.22 | \$ 44,636 | 123,817 | \$ 0.36 |
| Participating securities | 1,002 | 4,630 | \$ 0.22 | 1,633 | 4,530 | \$ 0.36 |
| Total | <u>\$ 27,504</u> | | | <u>\$ 46,269</u> | | |

| | Years Ended December 31, | | | | | |
|--------------------------|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2022 | | | 2023 | | |
| | Net Income Allocation | Shares ⁽¹⁾ | Basic and Diluted EPS | Net Income Allocation | Shares ⁽¹⁾ | Basic and Diluted EPS |
| | (in thousands, except for per share amounts) | | | | | |
| Common shares | \$ 153,385 | 124,628 | \$ 1.23 | \$ 234,718 | 123,105 | \$ 1.91 |
| Participating securities | 5,609 | 4,557 | \$ 1.23 | 8,773 | 4,601 | \$ 1.91 |
| Total | <u>\$ 158,994</u> | | | <u>\$ 243,491</u> | | |

(1) Represents the weighted average share count outstanding during the period.

IV. Condensed Consolidated Balance Sheets
(In thousands, unaudited)

| | December 31, | |
|---|---------------------|---------------------|
| | 2022 | 2023 |
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 97,906 | \$ 84,006 |
| Accounts receivable | 941,312 | 940,335 |
| Other current assets | 232,095 | 233,305 |
| Total Current Assets | 1,271,313 | 1,257,646 |
| Operating lease right-of-use assets | 1,169,740 | 1,188,616 |
| Property and equipment, net | 1,001,440 | 1,023,561 |
| Goodwill | 3,484,200 | 3,513,170 |
| Identifiable intangible assets, net | 351,662 | 329,916 |
| Other assets | 386,938 | 376,722 |
| Total Assets | \$ 7,665,293 | \$ 7,689,631 |
| Liabilities and Equity | | |
| Current Liabilities: | | |
| Payables and accruals | \$ 874,016 | \$ 932,736 |
| Current operating lease liabilities | 236,784 | 245,400 |
| Current portion of long-term debt and notes payable | 44,351 | 70,329 |
| Total Current Liabilities | 1,155,151 | 1,248,465 |
| Non-current operating lease liabilities | 1,008,394 | 1,025,867 |
| Long-term debt, net of current portion | 3,835,211 | 3,587,675 |
| Non-current deferred tax liability | 169,793 | 143,306 |
| Other non-current liabilities | 106,137 | 110,303 |
| Total Liabilities | 6,274,686 | 6,115,616 |
| Redeemable non-controlling interests | 34,043 | 26,297 |
| Total Equity | 1,356,564 | 1,547,718 |
| Total Liabilities and Equity | \$ 7,665,293 | \$ 7,689,631 |

V. Condensed Consolidated Statements of Cash Flows
For the Three Months Ended December 31, 2022 and 2023
(In thousands, unaudited)

| | 2022 | 2023 |
|--|-----------|-----------|
| Operating activities | | |
| Net income | \$ 37,712 | \$ 61,798 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Distributions from unconsolidated subsidiaries | 5,019 | 13,521 |
| Depreciation and amortization | 52,246 | 53,984 |
| Provision for expected credit losses | 215 | (71) |
| Equity in earnings of unconsolidated subsidiaries | (6,759) | (10,195) |
| Gain on sale of assets and businesses | (1,121) | (50) |
| Stock compensation expense | 9,799 | 11,818 |
| Amortization of debt discount, premium and issuance costs | 576 | 748 |
| Deferred income taxes | 14,601 | 930 |
| Changes in operating assets and liabilities, net of effects of business combinations: | | |
| Accounts receivable | (32,497) | 4,170 |
| Other current assets | (7,789) | (12,098) |
| Other assets | 6,841 | 3,003 |
| Accounts payable and accrued expenses | (65,357) | 51,884 |
| Government advances | (942) | — |
| Net cash provided by operating activities | 12,544 | 179,442 |
| Investing activities | | |
| Business combinations, net of cash acquired | (4,960) | (9,085) |
| Purchases of property and equipment | (55,253) | (60,603) |
| Proceeds from sale of assets and businesses | 2,979 | 104 |
| Net cash used in investing activities | (57,234) | (69,584) |
| Financing activities | | |
| Borrowings on revolving facilities | 275,000 | 270,000 |
| Payments on revolving facilities | (210,000) | (330,000) |
| Payments on term loans | — | (5,258) |
| Borrowings of other debt | 4,800 | 550 |
| Principal payments on other debt | (10,429) | (8,648) |
| Dividends paid to common stockholders | (15,897) | (16,048) |
| Repurchase of common stock | (1,914) | (1,709) |
| Increase (decrease) in overdrafts | (1,301) | 280 |
| Proceeds from issuance of non-controlling interests | 2,434 | 2,472 |
| Distributions to and purchases of non-controlling interests | (8,320) | (14,931) |
| Net cash provided by (used in) financing activities | 34,373 | (103,292) |
| Net increase (decrease) in cash and cash equivalents | (10,317) | 6,566 |
| Cash and cash equivalents at beginning of period | 108,223 | 77,440 |
| Cash and cash equivalents at end of period | \$ 97,906 | \$ 84,006 |
| Supplemental information: | | |
| Cash paid for interest, excluding amounts received of \$13,352 and \$22,465 under the interest rate cap contract | \$ 39,998 | \$ 50,564 |
| Cash paid for taxes | 7,446 | 10,008 |

VI. Condensed Consolidated Statements of Cash Flows
For the Years Ended December 31, 2022 and 2023
(In thousands, unaudited)

| | 2022 | 2023 |
|--|------------------|------------------|
| Operating activities | | |
| Net income | \$ 198,026 | \$ 299,731 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Distributions from unconsolidated subsidiaries | 21,911 | 23,417 |
| Depreciation and amortization | 205,825 | 208,742 |
| Provision for expected credit losses | 174 | 1,030 |
| Equity in earnings of unconsolidated subsidiaries | (26,407) | (40,813) |
| Loss on extinguishment of debt | — | 175 |
| Gain on sale of assets and businesses | (2,714) | (57) |
| Stock compensation expense | 37,755 | 43,809 |
| Amortization of debt discount, premium and issuance costs | 2,272 | 2,647 |
| Deferred income taxes | 7,521 | (16,119) |
| Changes in operating assets and liabilities, net of effects of business combinations: | | |
| Accounts receivable | (52,183) | 1,156 |
| Other current assets | (4,866) | (29,374) |
| Other assets | 16,491 | 10,031 |
| Accounts payable and accrued expenses | (35,190) | 77,683 |
| Government advances | (83,790) | — |
| Net cash provided by operating activities | <u>284,825</u> | <u>582,058</u> |
| Investing activities | | |
| Business combinations, net of cash acquired | (26,987) | (29,567) |
| Purchases of property, equipment, and other assets | (190,372) | (229,200) |
| Investment in businesses | (17,323) | (9,873) |
| Proceeds from sale of assets and businesses | 8,343 | 163 |
| Net cash used in investing activities | <u>(226,339)</u> | <u>(268,477)</u> |
| Financing activities | | |
| Borrowings on revolving facilities | 1,120,000 | 905,000 |
| Payments on revolving facilities | (835,000) | (1,070,000) |
| Proceeds from term loans | — | 2,092,232 |
| Payments on term loans | — | (2,113,952) |
| Borrowings of other debt | 25,666 | 31,399 |
| Principal payments on other debt | (35,594) | (46,946) |
| Dividends paid to common stockholders | (64,589) | (63,904) |
| Repurchase of common stock | (195,528) | (12,759) |
| Decrease in overdrafts | (10,392) | (1,687) |
| Proceeds from issuance of non-controlling interests | 9,530 | 22,935 |
| Distributions to and purchases of non-controlling interests | (43,107) | (63,531) |
| Purchase of membership interests of Concentra Group Holdings Parent | (5,876) | (6,268) |
| Net cash used in financing activities | <u>(34,890)</u> | <u>(327,481)</u> |
| Net increase (decrease) in cash and cash equivalents | 23,596 | (13,900) |
| Cash and cash equivalents at beginning of period | 74,310 | 97,906 |
| Cash and cash equivalents at end of period | <u>\$ 97,906</u> | <u>\$ 84,006</u> |
| Supplemental information: | | |
| Cash paid for interest, excluding amounts received of \$19,584 and \$82,818 under the interest rate cap contract | \$ 183,453 | \$ 272,261 |
| Cash paid for taxes | 32,290 | 88,510 |

VII. Key Statistics
For the Three Months Ended December 31, 2022 and 2023
(unaudited)

| | 2022 | 2023 | % Change |
|---|------------|------------|----------|
| Critical Illness Recovery Hospital | | | |
| Number of hospitals operated – end of period ^(a) | 103 | 107 | |
| Revenue (,000) | \$ 561,885 | \$ 567,128 | 0.9 % |
| Number of patient days ^{(b)(c)} | 287,424 | 277,470 | (3.5)% |
| Number of admissions ^{(b)(d)} | 9,275 | 9,126 | (1.6)% |
| Revenue per patient day ^{(b)(e)} | \$ 1,947 | \$ 2,037 | 4.6 % |
| Occupancy rate ^{(b)(f)} | 70 % | 66 % | (5.7)% |
| Adjusted EBITDA (,000) | \$ 44,345 | \$ 57,384 | 29.4 % |
| Adjusted EBITDA margin | 7.9 % | 10.1 % | |
| Rehabilitation Hospital | | | |
| Number of hospitals operated – end of period ^(a) | 31 | 33 | |
| Revenue (,000) | \$ 237,855 | \$ 260,166 | 9.4 % |
| Number of patient days ^{(b)(c)} | 108,857 | 116,003 | 6.6 % |
| Number of admissions ^{(b)(d)} | 7,587 | 8,264 | 8.9 % |
| Revenue per patient day ^{(b)(e)} | \$ 2,011 | \$ 2,063 | 2.6 % |
| Occupancy rate ^{(b)(f)} | 85 % | 85 % | 0.0 % |
| Adjusted EBITDA (,000) | \$ 56,038 | \$ 66,344 | 18.4 % |
| Adjusted EBITDA margin | 23.6 % | 25.5 % | |
| Outpatient Rehabilitation | | | |
| Number of clinics operated – end of period ^(a) | 1,928 | 1,933 | |
| Working days ^(g) | 63 | 63 | |
| Revenue (,000) | \$ 281,091 | \$ 298,235 | 6.1 % |
| Number of visits ^{(b)(h)} | 2,408,114 | 2,672,936 | 11.0 % |
| Revenue per visit ^{(b)(i)} | \$ 102 | \$ 100 | (2.0)% |
| Adjusted EBITDA (,000) | \$ 15,948 | \$ 22,473 | 40.9 % |
| Adjusted EBITDA margin | 5.7 % | 7.5 % | |
| Concentra | | | |
| Number of centers operated – end of period ^(b) | 540 | 544 | |
| Working days ^(g) | 63 | 63 | |
| Revenue (,000) | \$ 415,003 | \$ 440,740 | 6.2 % |
| Number of visits ^{(b)(h)} | 2,975,027 | 3,010,751 | 1.2 % |
| Revenue per visit ^{(b)(i)} | \$ 130 | \$ 137 | 5.4 % |
| Adjusted EBITDA (,000) | \$ 62,236 | \$ 68,288 | 9.7 % |
| Adjusted EBITDA margin | 15.0 % | 15.5 % | |

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- (a) Includes managed locations.
 - (b) Excludes managed locations. For purposes of the Concentra segment, onsite clinics are excluded.
 - (c) Each patient day represents one patient occupying one bed for one day during the periods presented.
 - (d) Represents the number of patients admitted to Select Medical's hospitals during the periods presented.
 - (e) Represents the average amount of revenue recognized for each patient day. Revenue per patient day is calculated by dividing patient service revenues, excluding revenues from certain other ancillary and outpatient services provided at Select Medical's hospitals, by the total number of patient days.
 - (f) Represents the portion of our hospitals being utilized for patient care during the periods presented. Occupancy rate is calculated using the number of patient days, as presented above, divided by the total number of bed days available during the period. Bed days available is derived by adding the daily number of available licensed beds for each of the periods presented.
 - (g) Represents the number of days in which normal business operations were conducted during the periods presented.
 - (h) Represents the number of visits in which patients were treated at Select Medical's outpatient rehabilitation clinics and Concentra centers during the periods presented. COVID-19 screening and testing services provided by our Concentra segment are not included in these figures.
 - (i) Represents the average amount of revenue recognized for each patient visit. Revenue per visit is calculated by dividing patient service revenue, excluding revenues from certain other ancillary services, by the total number of visits. For purposes of this computation for the Concentra segment, patient service revenue does not include onsite clinics or revenues generated from COVID-19 screening and testing services.

VIII. Key Statistics

For the Years Ended December 31, 2022 and 2023

(unaudited)

| | 2022 | 2023 | % Change |
|---|--------------|--------------|----------|
| Critical Illness Recovery Hospital | | | |
| Number of hospitals operated – end of period ^(a) | 103 | 107 | |
| Revenue (,000) | \$ 2,234,132 | \$ 2,299,773 | 2.9 % |
| Number of patient days ^{(b)(c)} | 1,127,911 | 1,108,492 | (1.7)% |
| Number of admissions ^{(b)(d)} | 36,594 | 36,225 | (1.0)% |
| Revenue per patient day ^{(b)(e)} | \$ 1,973 | \$ 2,067 | 4.8 % |
| Occupancy rate ^{(b)(f)} | 69 % | 68 % | (1.4)% |
| Adjusted EBITDA (,000) | \$ 111,344 | \$ 246,015 | 121.0 % |
| Adjusted EBITDA margin | 5.0 % | 10.7 % | |
| Rehabilitation Hospital | | | |
| Number of hospitals operated – end of period ^(a) | 31 | 33 | |
| Revenue (,000) | \$ 916,763 | \$ 979,585 | 6.9 % |
| Number of patient days ^{(b)(c)} | 430,547 | 446,145 | 3.6 % |
| Number of admissions ^{(b)(d)} | 29,736 | 31,627 | 6.4 % |
| Revenue per patient day ^{(b)(e)} | \$ 1,953 | \$ 2,017 | 3.3 % |
| Occupancy rate ^{(b)(f)} | 85 % | 85 % | 0.0 % |
| Adjusted EBITDA (,000) | \$ 198,034 | \$ 221,875 | 12.0 % |
| Adjusted EBITDA margin | 21.6 % | 22.6 % | |
| Outpatient Rehabilitation | | | |
| Number of clinics operated – end of period ^(a) | 1,928 | 1,933 | |
| Working days ^(g) | 255 | 254 | |
| Revenue (,000) | \$ 1,125,282 | \$ 1,188,914 | 5.7 % |
| Number of visits ^{(b)(h)} | 9,573,980 | 10,657,558 | 11.3 % |
| Revenue per visit ^{(b)(i)} | \$ 103 | \$ 100 | (2.9)% |
| Adjusted EBITDA (,000) | \$ 101,860 | \$ 111,868 | 9.8 % |
| Adjusted EBITDA margin | 9.1 % | 9.4 % | |
| Concentra | | | |
| Number of centers operated – end of period ^(b) | 540 | 544 | |
| Working days ^(g) | 255 | 254 | |
| Revenue (,000) | \$ 1,724,359 | \$ 1,838,081 | 6.6 % |
| Number of visits ^{(b)(h)} | 12,579,468 | 12,777,632 | 1.6 % |
| Revenue per visit ^{(b)(i)} | \$ 127 | \$ 135 | 6.3 % |
| Adjusted EBITDA (,000) | \$ 334,337 | \$ 361,334 | 8.1 % |
| Adjusted EBITDA margin | 19.4 % | 19.7 % | |

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- (a) Includes managed locations.
 - (b) Excludes managed locations. For purposes of the Concentra segment, onsite clinics are excluded.
 - (c) Each patient day represents one patient occupying one bed for one day during the periods presented.
 - (d) Represents the number of patients admitted to Select Medical's hospitals during the periods presented.
 - (e) Represents the average amount of revenue recognized for each patient day. Revenue per patient day is calculated by dividing patient service revenues, excluding revenues from certain other ancillary and outpatient services provided at Select Medical's hospitals, by the total number of patient days.
 - (f) Represents the portion of our hospitals being utilized for patient care during the periods presented. Occupancy rate is calculated using the number of patient days, as presented above, divided by the total number of bed days available during the period. Bed days available is derived by adding the daily number of available licensed beds for each of the periods presented.
 - (g) Represents the number of days in which normal business operations were conducted during the periods presented.
 - (h) Represents the number of visits in which patients were treated at Select Medical's outpatient rehabilitation clinics and Concentra centers during the periods presented. COVID-19 screening and testing services provided by our Concentra segment are not included in these figures.
 - (i) Represents the average amount of revenue recognized for each patient visit. Revenue per visit is calculated by dividing patient service revenue, excluding revenues from certain other ancillary services, by the total number of visits. For purposes of this computation for the Concentra segment, patient service revenue does not include onsite clinics or revenues generated from COVID-19 screening and testing services.

IX. Net Income to Adjusted EBITDA Reconciliation
For the Three Months and Years Ended December 31, 2022 and 2023
(In thousands, unaudited)

The presentation of Adjusted EBITDA is important to investors because Adjusted EBITDA is commonly used as an analytical indicator of performance by investors within the healthcare industry. Adjusted EBITDA is used by management to evaluate financial performance and determine resource allocation for each of Select Medical’s segments. Adjusted EBITDA is not a measure of financial performance under accounting principles generally accepted in the United States of America (“GAAP”). Items excluded from Adjusted EBITDA are significant components in understanding and assessing financial performance. Adjusted EBITDA should not be considered in isolation or as an alternative to, or substitute for, net income, income from operations, cash flows generated by operations, investing or financing activities, or other financial statement data presented in the consolidated financial statements as indicators of financial performance or liquidity. Because Adjusted EBITDA is not a measurement determined in accordance with GAAP and is thus susceptible to varying definitions, Adjusted EBITDA as presented may not be comparable to other similarly titled measures of other companies.

The following table reconciles net income to Adjusted EBITDA for Select Medical. Adjusted EBITDA is used by Select Medical to report its segment performance. Adjusted EBITDA is defined as earnings excluding interest, income taxes, depreciation and amortization, gain (loss) on early retirement of debt, stock compensation expense, gain (loss) on sale of businesses, and equity in earnings (losses) of unconsolidated subsidiaries.

| | Three Months Ended December 31, | | Years Ended December 31, | |
|---|------------------------------------|------------|-----------------------------|------------|
| | 2022 | 2023 | 2022 | 2023 |
| Net income | \$ 37,712 | \$ 61,798 | \$ 198,026 | \$ 299,731 |
| Income tax expense | 8,570 | 11,850 | 62,553 | 82,625 |
| Interest expense | 47,341 | 50,800 | 169,111 | 198,639 |
| Equity in earnings of unconsolidated subsidiaries | (6,759) | (10,195) | (26,407) | (40,813) |
| Loss on early retirement of debt | — | — | — | 14,692 |
| Income from operations | \$ 86,864 | \$ 114,253 | \$ 403,283 | \$ 554,874 |
| Stock compensation expense: | | | | |
| Included in general and administrative | 8,560 | 9,658 | 30,555 | 36,041 |
| Included in cost of services | 1,239 | 2,161 | 7,200 | 7,768 |
| Depreciation and amortization | 52,246 | 53,984 | 205,825 | 208,742 |
| Adjusted EBITDA | \$ 148,909 | \$ 180,056 | \$ 646,863 | \$ 807,425 |
| Critical illness recovery hospital | \$ 44,345 | \$ 57,384 | \$ 111,344 | \$ 246,015 |
| Rehabilitation hospital | 56,038 | 66,344 | 198,034 | 221,875 |
| Outpatient rehabilitation | 15,948 | 22,473 | 101,860 | 111,868 |
| Concentra | 62,236 | 68,288 | 334,337 | 361,334 |
| Other ^(a) | (29,658) | (34,433) | (98,712) | (133,667) |
| Adjusted EBITDA | \$ 148,909 | \$ 180,056 | \$ 646,863 | \$ 807,425 |

(a) Other primarily includes general and administrative costs and other operating income, as discussed further above.

X. Reconciliation of Earnings per Common Share to Adjusted Earnings per Common Share
For the Years Ended December 31, 2022 and 2023
(In thousands, except per share amounts, unaudited)

Adjusted net income attributable to common shares and adjusted earnings per common share are not measures of financial performance under GAAP. Items excluded from adjusted net income attributable to common shares and adjusted earnings per common share are significant components in understanding and assessing financial performance. Select Medical believes that the presentation of adjusted net income attributable to common shares and adjusted earnings per common share are important to investors because they are reflective of the financial performance of Select Medical's ongoing operations and provide better comparability of its results of operations between periods. Adjusted net income attributable to common shares and adjusted earnings per common share should not be considered in isolation or as alternatives to, or substitutes for, net income, cash flows generated by operations, investing or financing activities, or other financial statement data presented in the consolidated financial statements as indicators of financial performance or liquidity. Because adjusted net income attributable to common shares and adjusted earnings per common share are not measurements determined in accordance with GAAP and are thus susceptible to varying calculations, adjusted net income attributable to common shares and adjusted earnings per common share as presented may not be comparable to other similarly titled measures of other companies.

The following tables reconcile net income attributable to common shares and earnings per common share on a fully diluted basis to adjusted net income attributable to common shares and adjusted earnings per common share on a fully diluted basis. There were no adjustments to earnings per common share for the three months ended December 31, 2022 and 2023.

| | Years Ended December 31, | | | |
|---|---------------------------------|--------------------------------|-------------------|--------------------------------|
| | 2022 | Per Share^(a) | 2023 | Per Share^(a) |
| Net income attributable to common shares ^(a) | \$ 153,385 | \$ 1.23 | \$ 234,718 | \$ 1.91 |
| Adjustments: ^(b) | | | | |
| Loss on early retirement of debt, net of tax | — | — | 10,019 | 0.08 |
| Adjusted net income attributable to common shares | <u>\$ 153,385</u> | <u>\$ 1.23</u> | <u>\$ 244,737</u> | <u>\$ 1.99</u> |

- (a) Net income attributable to common shares and earnings per common share are calculated based on the diluted weighted average common shares outstanding, as presented in table III.
- (b) Adjustments to net income attributable to common shares include estimated income tax and non-controlling interest impacts and are calculated based on the diluted weighted average common shares outstanding. The estimated income tax impact, which is determined using tax rates based on the nature of the adjustment and the jurisdiction in which the adjustment occurred, includes both current and deferred income tax expense or benefit.

XI. Net Income to Adjusted EBITDA Reconciliation
Business Outlook for the Year Ending December 31, 2024
(In millions, unaudited)

The following is a reconciliation of full year 2024 Adjusted EBITDA expectations as computed at the low and high points of the range to the closest comparable GAAP financial measure. Refer to table IX for the definition of Adjusted EBITDA and a discussion of Select Medical's use of Adjusted EBITDA in evaluating financial performance. Each item presented in the below table is an estimation of full year 2024 expectations

| Non-GAAP Measure Reconciliation | Range | |
|--|--------------|-------------|
| | Low | High |
| Net income attributable to Select Medical | \$ 243 | \$ 282 |
| Net income attributable to non-controlling interests | 59 | 61 |
| Net income | 302 | 343 |
| Income tax expense | 95 | 108 |
| Interest expense | 217 | 217 |
| Equity in earnings of unconsolidated subsidiaries | (43) | (47) |
| Income from operations | 571 | 621 |
| Stock compensation expense | 48 | 48 |
| Depreciation and amortization | 211 | 211 |
| Adjusted EBITDA | \$ 830 | \$ 880 |