

**BANK OF AMERICA MERRILL LYNCH
LEVERAGED FINANCE CONFERENCE
DECEMBER 2- 4, 2019**



Forward-Looking Statements



This presentation may contain forward-looking statements based on current management expectations. Numerous factors, including those related to market conditions and those detailed from time-to-time in the Company's filings with the Securities and Exchange Commission, may cause results to differ materially from those anticipated in the forward-looking statements. Many of the factors that will determine the Company's future results are beyond the ability of the Company to control or predict. These statements are subject to risks and uncertainties and, therefore, actual results may differ materially. Readers should not place undue reliance on forward-looking statements, which reflect management's views only as of the date hereof. The Company undertakes no obligation to revise or update any forward-looking statements, or to make any other forward-looking statements, whether as a result of new information, future events or otherwise. All references to "Select" used throughout this presentation refer to Select Medical Holdings Corporation and its subsidiaries.

Select Medical Overview



Founded in 1996

\$5.3 Billion Net Revenue LTM Q3 2019

\$686 Million Adjusted EBITDA LTM Q3 2019 ⁽¹⁾

12.8% Adjusted EBITDA Margins

SCALE AND EXPERTISE

Leading provider of post-acute services with operations in 47 states and D.C.

Headquartered in Mechanicsburg, Pennsylvania, Select Medical employs approximately 49,700 staff in the United States as of 09/30/2019.

Note: ⁽¹⁾ See Slide 34 for non-GAAP reconciliation



Leading Post Acute Care Provider



**Largest operator of Critical Illness Recovery Hospitals
(formerly referred to as LTACH)**

- **100 Critical Illness Recovery Hospitals operating in 28 states.**



Second largest operator of Rehabilitation Hospitals (IRF)

- **29 IRF's operating in 12 states.**



Largest operator of Outpatient Rehabilitation Clinics

- **1,707 clinics in 37 states and D.C.**



Largest operator of Occupational Medicine Centers

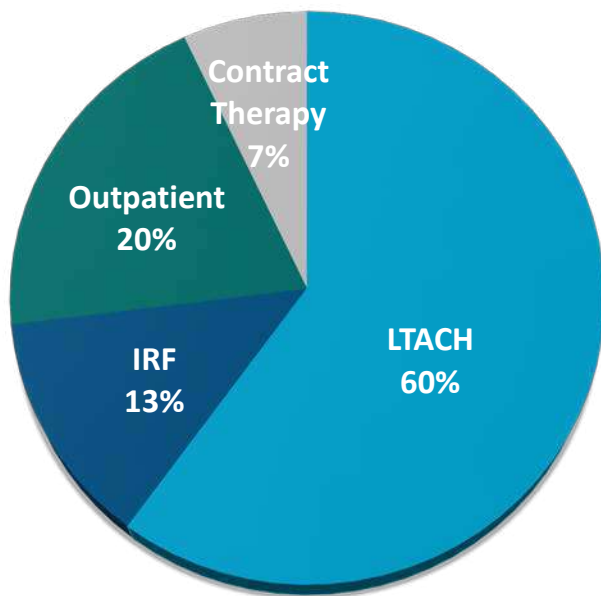
- **523 centers in 41 states.**

As of 09/30/19

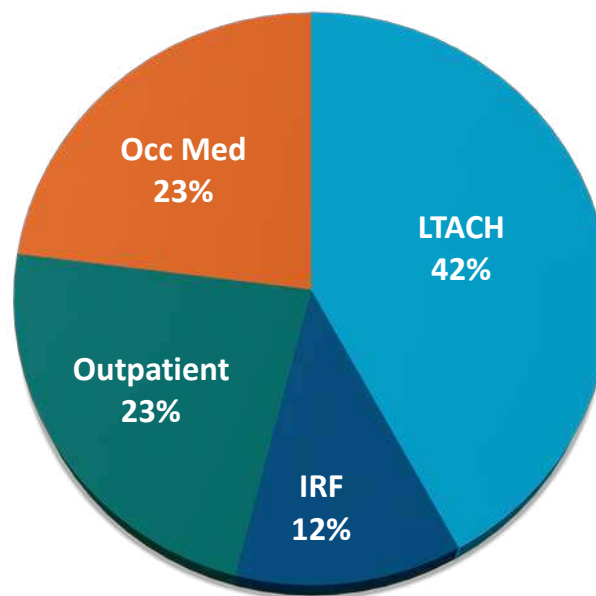
Revenue Mix



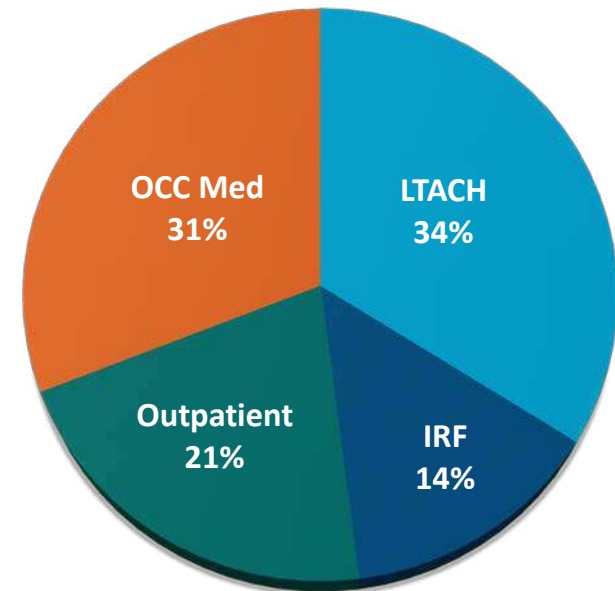
2014



2016



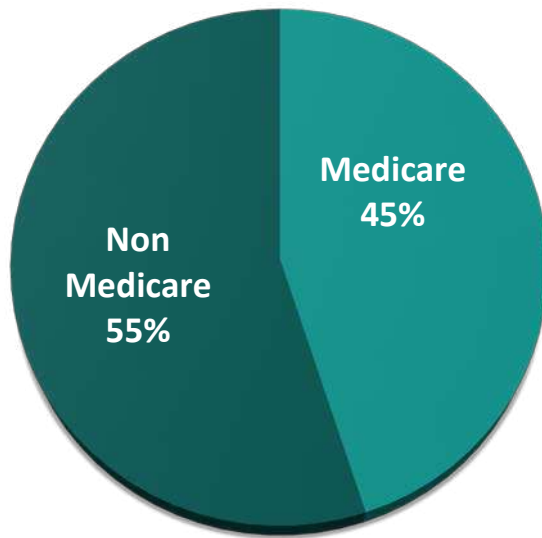
2018



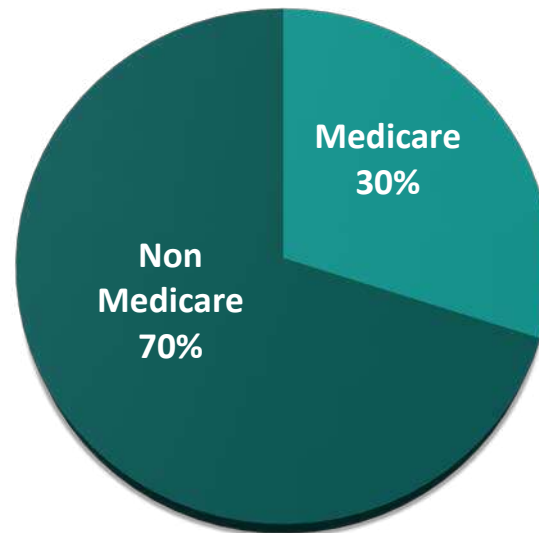
Payor Mix



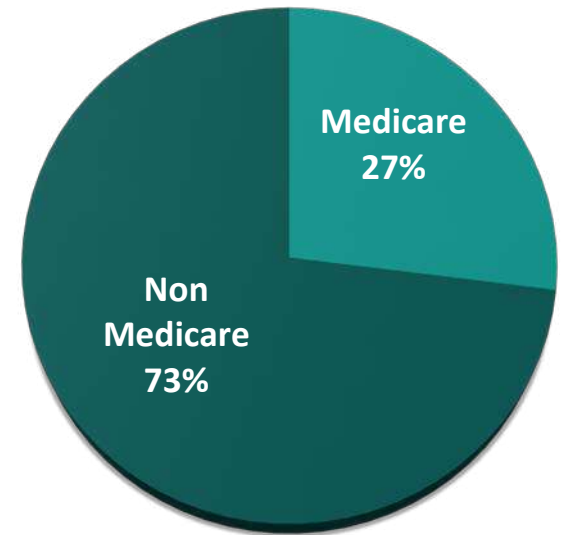
2014



2016



2018





CRITICAL ILLNESS RECOVERY HOSPITALS

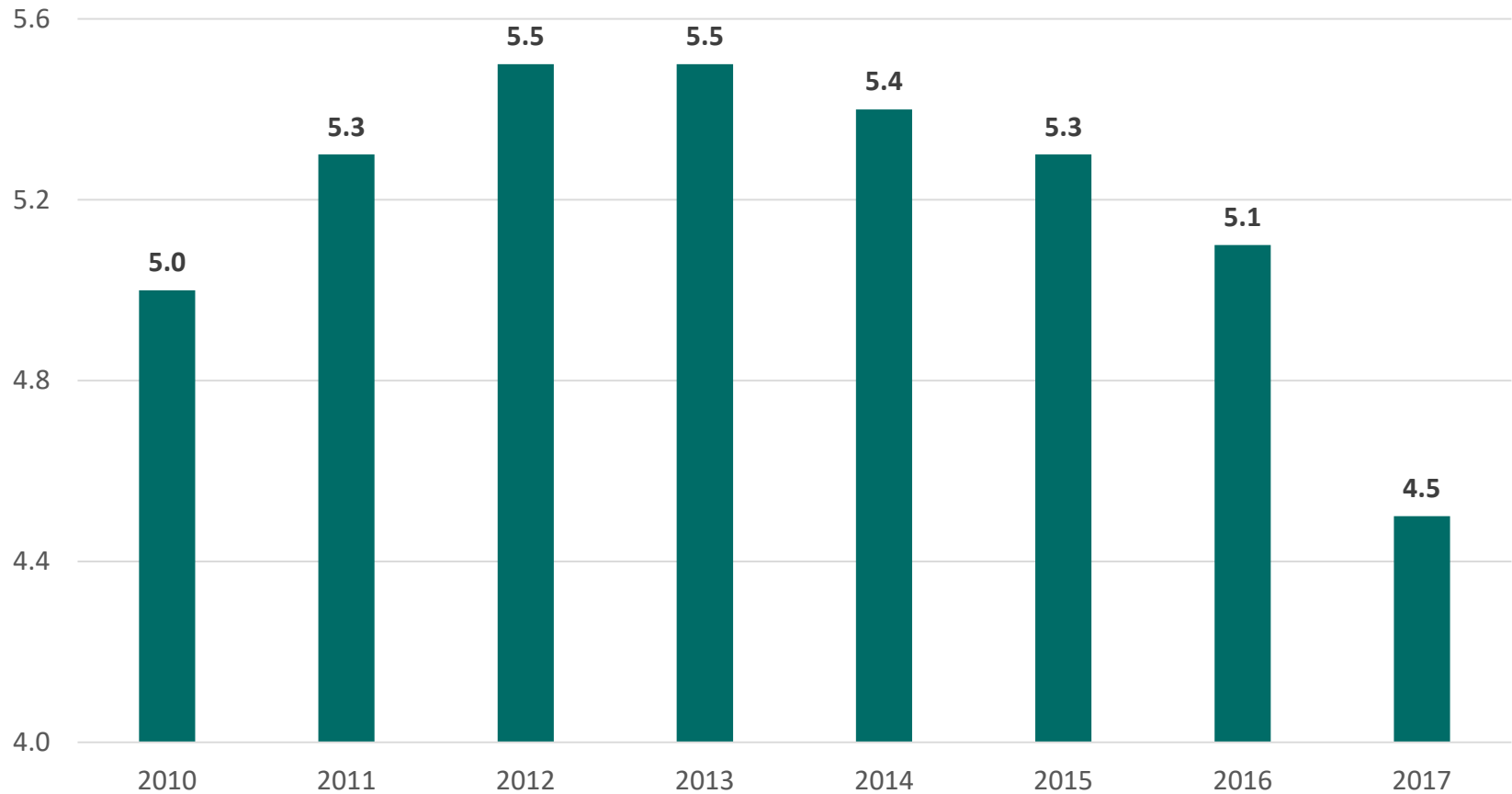
LTCH Legislation



LTCH Patient Criteria passed in late December 2013 as part of Budget bill and SGR - effective beginning Q4 2015

- All LTCH's under criteria as of September 2016.
- **LTCH Rates for patients with;**
 - 3 day prior short term acute hospital ICU/CCU stay or
 - Ventilation patients for > 96 hours in the LTCH
- **Other patients receive “site neutral” rate.**
 - Bipartisan Budget Act of 2018 extended blended site neutral payment rates for additional 2 years through September 2019.

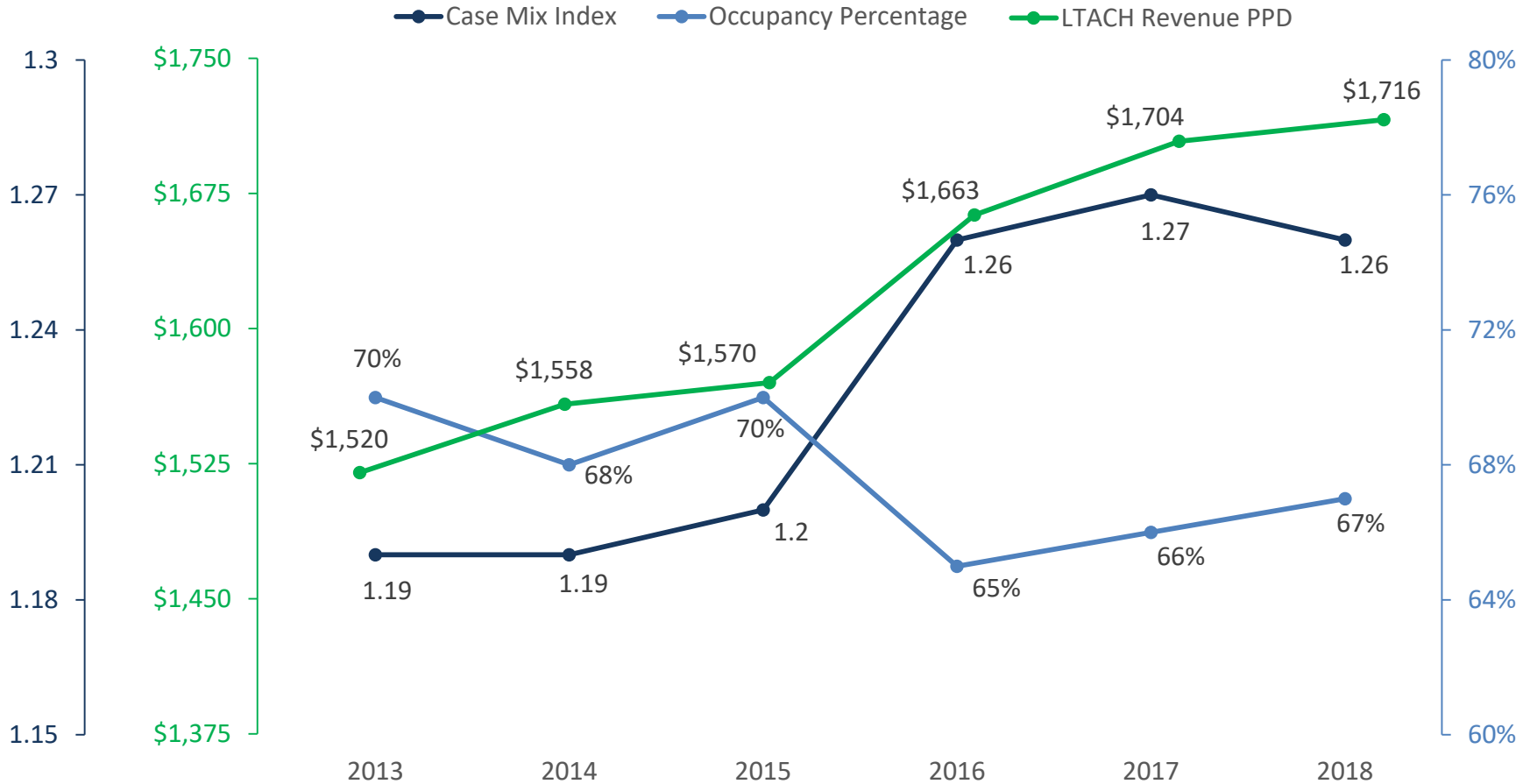
LTCH Medicare Annual Spending



(\$ in billions)

Source: MedPAC Data (2017 Figures estimated by MedPac)

LTCH Criteria Impact



Revenue PPD has been adjusted for revenue recognition change.



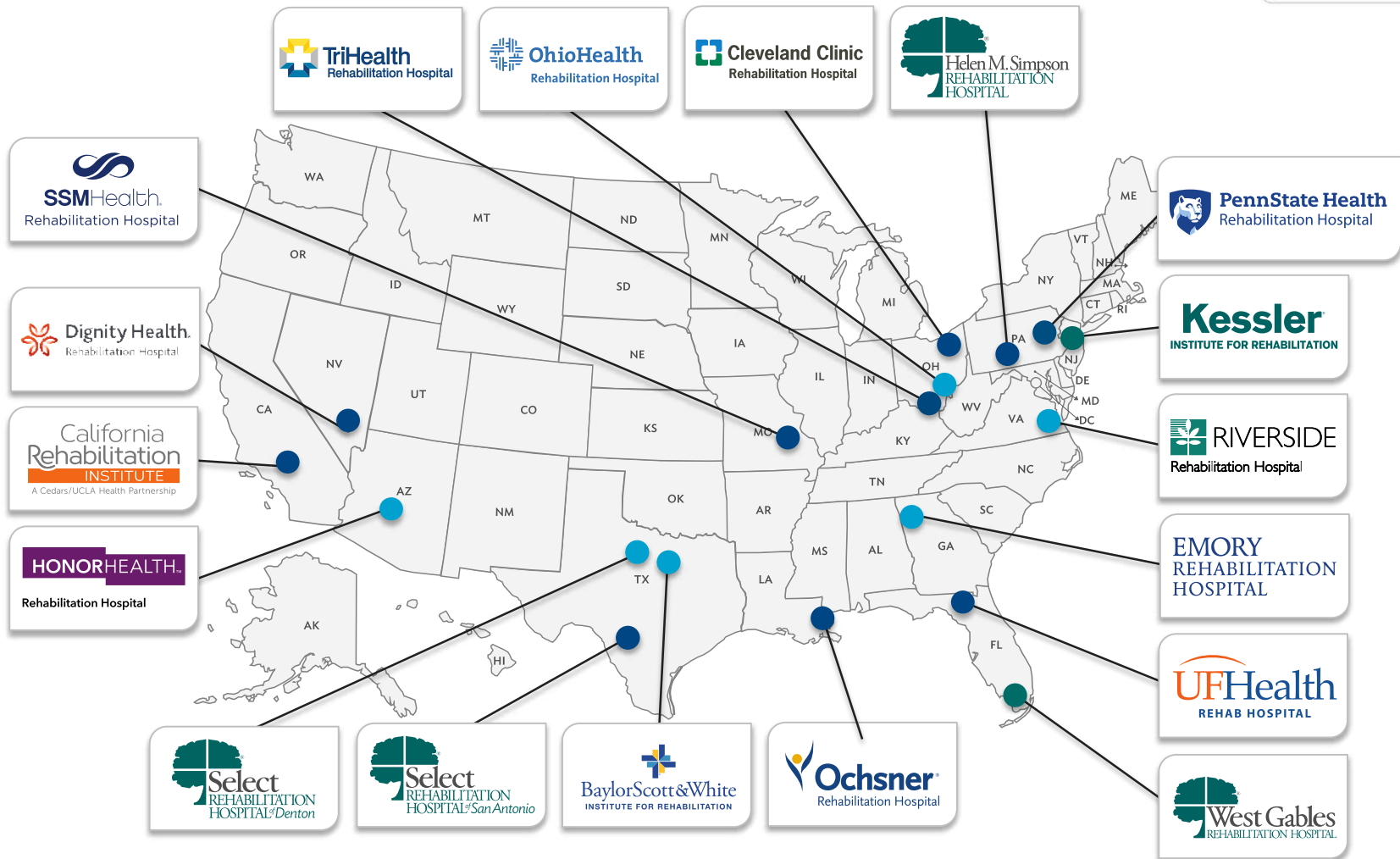
INPATIENT REHABILITATION HOSPITALS



Our Rehabilitation “Model”

- **Partner with leading health systems through joint venture relationships**
 - Inpatient rehab is the basis of “model” but can include other post acute network of services.
 - Outpatient Rehab
 - Critical Illness Recovery Hospitals (LTCH)
 - Day Rehab
 - Occupational Medicine

Current Rehabilitation Operations



● Wholly Owned

● Consolidated Joint Venture

● Non-Consolidated Joint Venture

Rehabilitation Network Growth

New JV Partnerships:



2019 Openings



- UF Health – Gainesville, FL – 60 bed IRF
 - Opened March 2019



- Dignity Las Vegas, NV – 60 bed IRF
 - Opened May 2019



- Riverside Health – Newport News, VA
 - New 50 bed IRF (replaced existing hospital)
 - Opened August 2019



- Ochsner Northshore – New Orleans, LA
 - 30 bed IRF
 - Opened September 2019

Under Construction



- Banner Health – Phoenix, AZ
 - JV began May 2018 with outpatient rehab services
 - Construction of two rehabilitation hospitals underway



- UC San Diego Health and Vibra Healthcare
 - 42 bed IRF
 - 88 bed Critical Illness Recovery Hospital (opened Q1 '19)



Our Post Acute Partners



Multi-billion dollar health system with 52 acute care hospitals and over 4,800 staffed acute beds. Net patient revenues of approximately \$7 billion



2011

Four IRFs with 214 beds and two managed rehab units, 91 outpatient clinics and home health services



Multi-billion dollar health system with 18 acute care hospitals, over 400 ICU beds, and over 3,900 staffed acute beds. Net patient revenues of over \$7 billion



2015

Three 60 bed IRFs and one managed rehab unit



2016

Four LTAC hospitals with 230 beds and one managed 40 bed skilled nursing facility



SSMHealth.

Multi-billion dollar health system with 32 acute care hospitals with over 3,900 staffed acute care beds. Net patient revenue of over \$4 billion



SSMHealth.

Rehabilitation Network
(Joint Venture)

2009

Three IRFs with 125 beds, 72 outpatient clinics and other contract therapy and staffing services



PHYSICAL THERAPY OUTPATIENT CLINICS

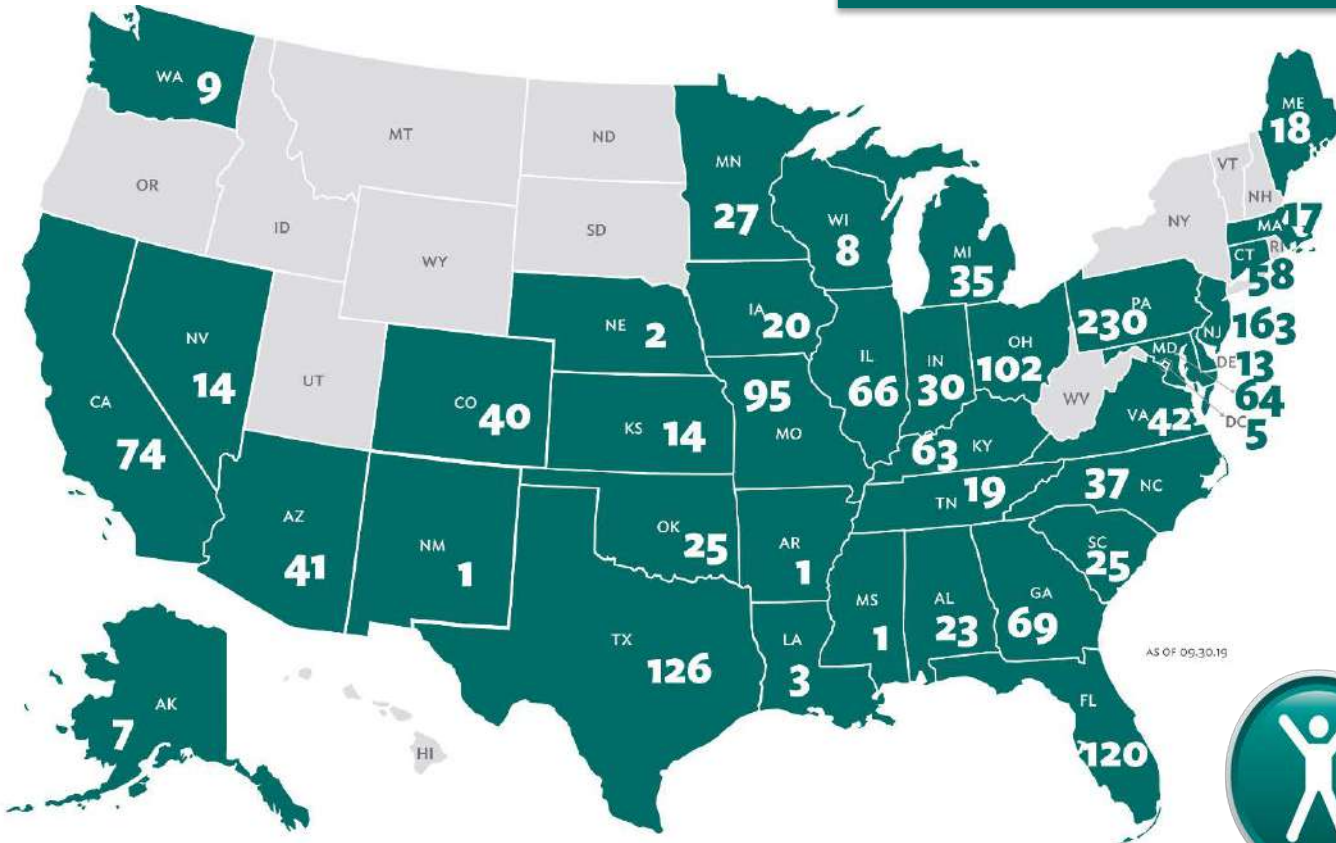
Outpatient Rehabilitation

- **Largest operator of outpatient rehab clinics in U.S.**
- **March 2016 acquired Physiotherapy Associates (second largest at time of acquisition)**
- **Growth through denovo clinics and tuck-in acquisitions**
- **Bipartisan Budget Act of 2018 repealed annual limits on outpatient therapy services for Medicare beneficiaries. (Medicare represents approximately 15% of our outpatient payor mix)**

Outpatient Rehabilitation - Industry



Select (1,707)



ATI (~860)

USPH (~575)

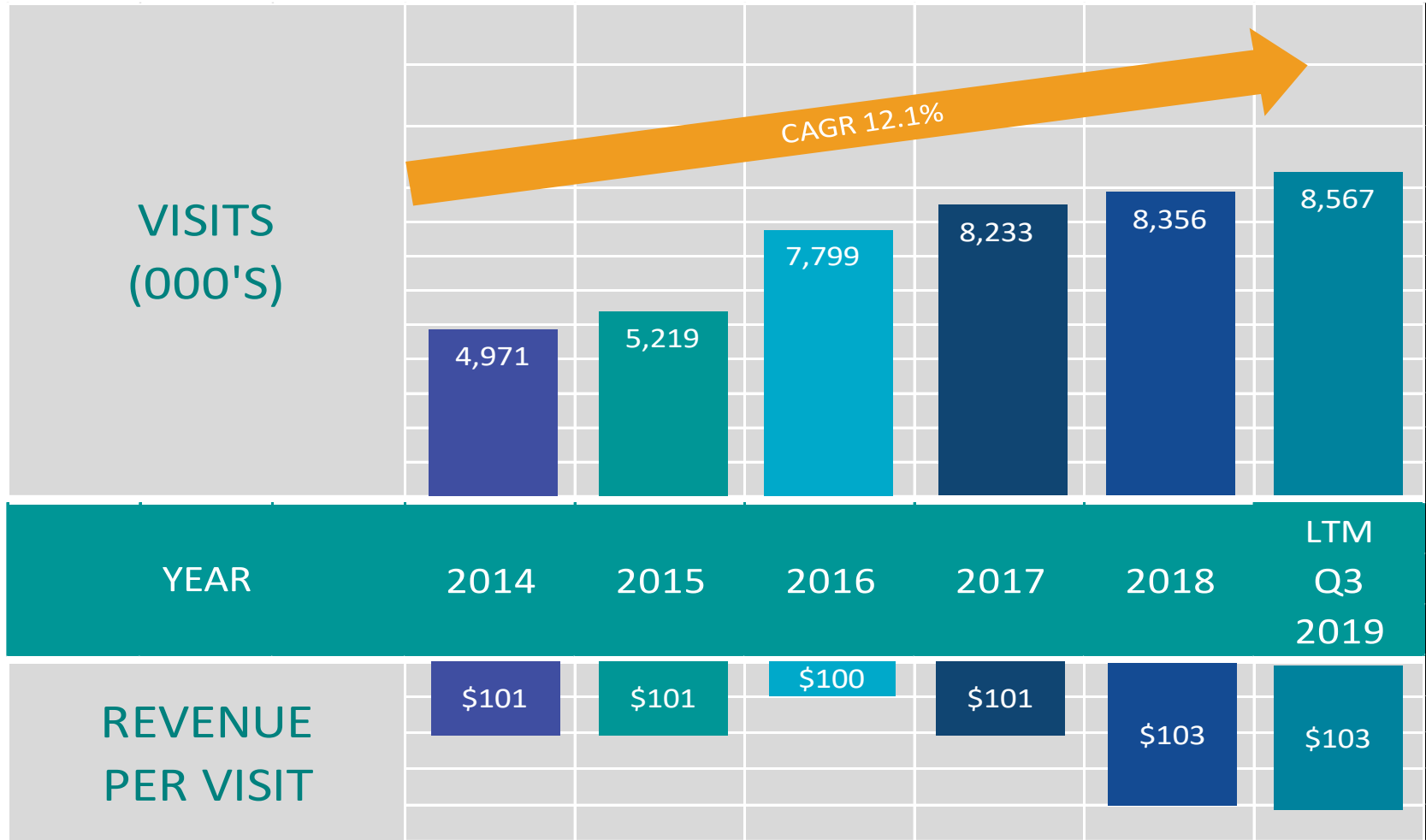
ATHLETICO (~500)

Source: Company public filings and websites as of September 30, 2019

1,707 Outpatient Rehabilitation Clinics
(37 States and D.C.)



Outpatient Rehab Clinics





CONCENTRA

Concentra/US HealthWorks

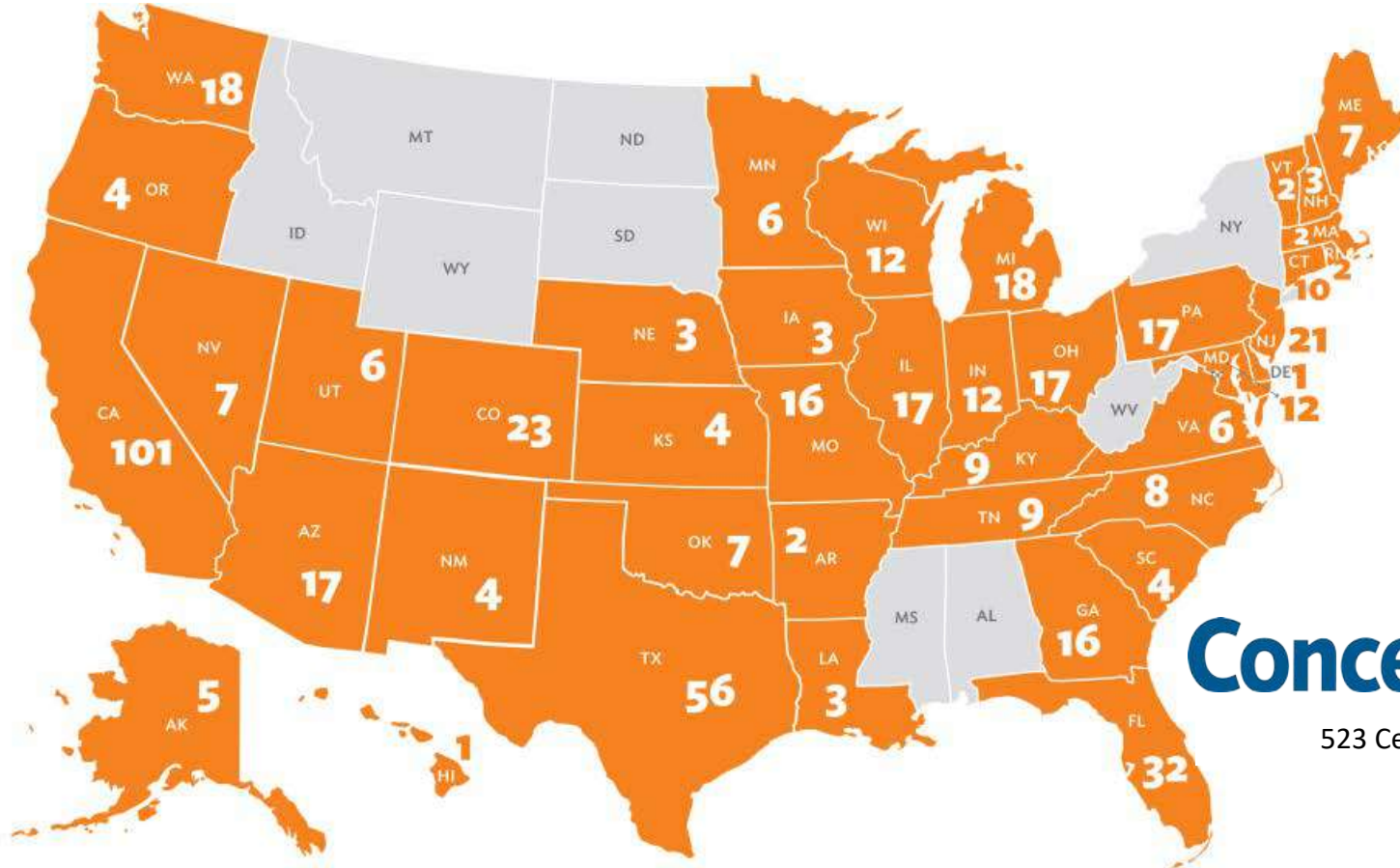


The largest provider of occupational health services in the U.S.

- 686 locations across 43 states and D.C.
- **Service Lines:**
 - 523 occupational health centers
 - 131 onsite clinics at employer locations
 - 32 Community Based Outpatient Clinics (CBOC) serving Veterans Health Administration patients
- **Treat 21% of workplace injuries in the U.S.**

Note: Data as of September 30, 2019 and includes operations of US HealthWorks acquired February 1, 2018.

Concentra/US HealthWorks Centers



Concentra[®]

523 Centers

As of 9/30/2019

Concentra Stand Alone Post-Acquisition from Humana



- **Financial Information 2015 (acquired June 2015)**
 - Revenue = \$997 million
 - Adjusted EBITDA = \$90 million
 - Adjusted EBITDA Margin = 9.0%
- **Financial Information 2017**
 - Revenue = \$1.0 billion
 - Adjusted EBITDA = \$157.6 million
 - Adjusted EBITDA Margin = 15.6%
- **Implemented \$44 million of cost saving synergies.**

US HealthWorks Acquisition

US HealthWorks was the second largest provider of occupational health with 220 centers in the United States.

- **Transaction closed February 1, 2018. Select retains its 50.1% voting ownership in combined company.**
- **US HealthWorks Financial Performance 2017**
 - Revenue = \$552 million
 - Adjusted EBITDA = \$63 million
 - Adjusted EBITDA margin = 11.4%
- **Identified \$38 million of cost savings synergies.**

Concentra/USHW Combined

Q3 2019 LTM Financial Performance

- Revenue = \$1,616 million
- Adjusted EBITDA = \$273 million
- Adjusted EBITDA Margin = 16.9%

Concentra Put / Call Mechanics



Put Option

- Beginning on the 2nd, 3rd and 4th anniversary of the USHW acquisition, both Dignity and WCAS have annual rights to put up to 33.33% of their respective Class A equity interest to SEM based on an agreed upon investment bank valuation conducted 60 days after an annual Company audit
- If there is Qualifying SEM Change of Control, defined to be one that has not been approved by Dignity and WCAS in writing prior to the consummation thereof, both Dignity and WCAS can put 100%, but not less than all of remaining equity ownership to SEM utilizing same valuation mechanics described above

Call Option

- Beginning after the 4th anniversary of the USHW acquisition, SEM has annual right to call up to 100% of remaining WCAS and Dignity equity interest to SEM based on agreed upon investment bank valuation conducted 60 days after an annual Company audit

Valuation Methodology and Consideration

- EBITDA for valuation is to be calculated in a manner consistent with the calculation of EBITDA used to value the Class A equity interest issued to Dignity in connection with the transaction
- Consideration is payable in cash, SEM common equity, or combination upon SEM's sole discretion



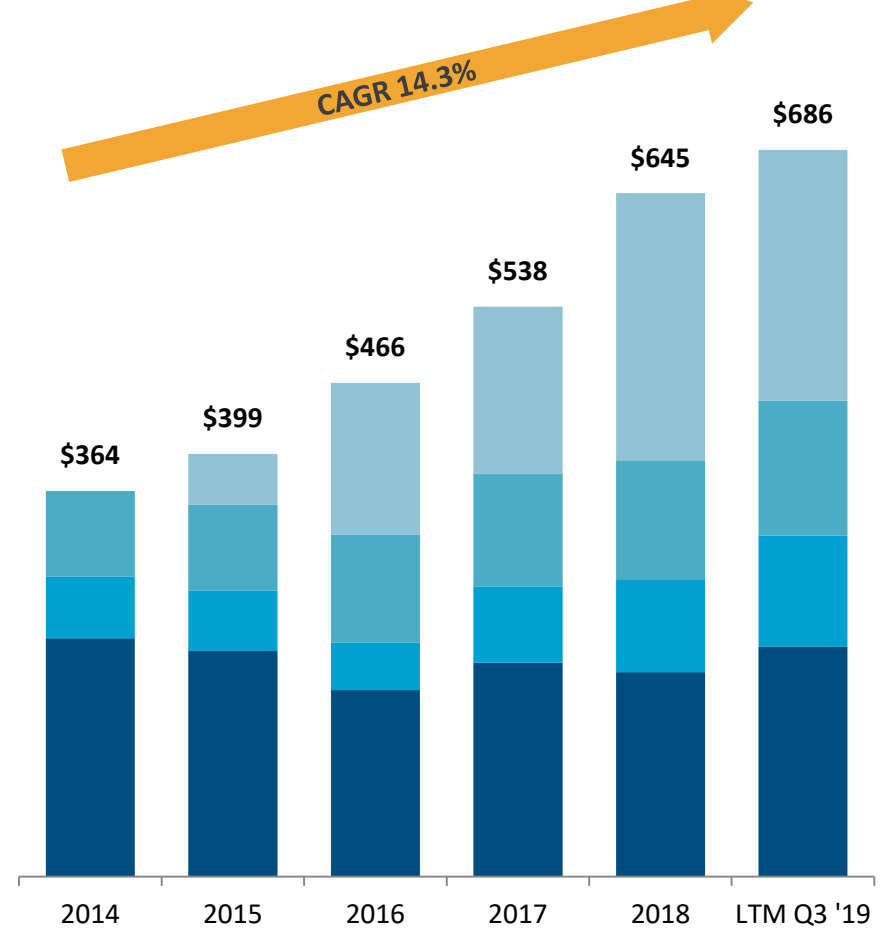
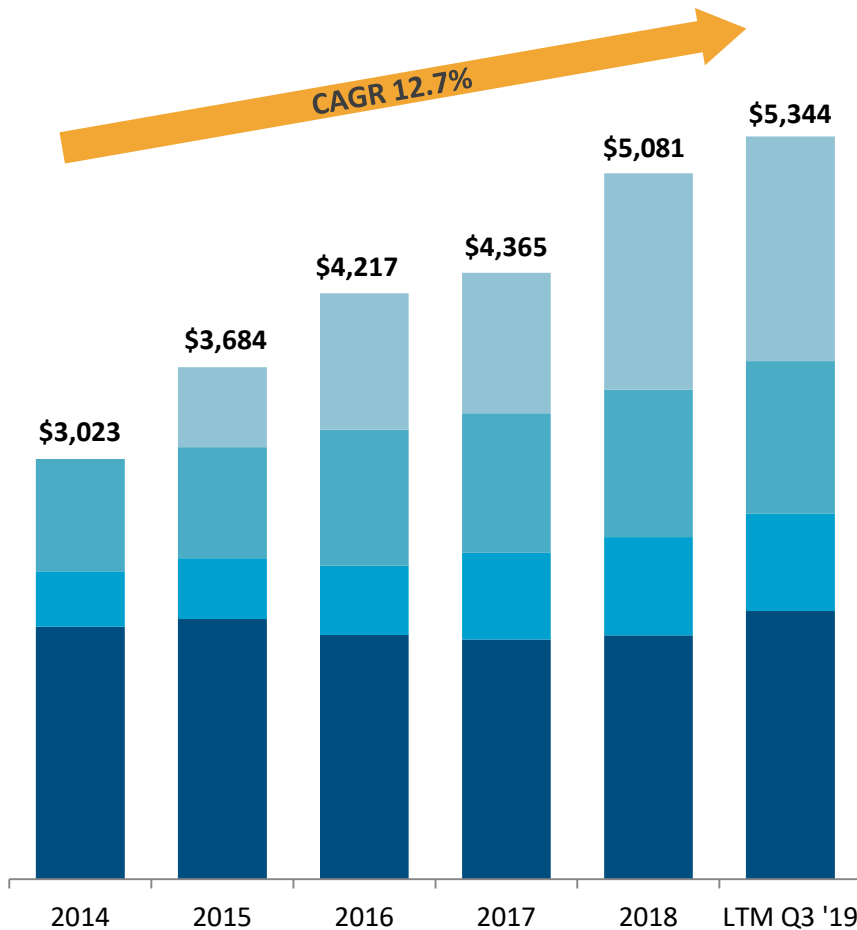
FINANCE OVERVIEW

Financial Metric Trends



Net Revenue

Adjusted EBITDA⁽¹⁾

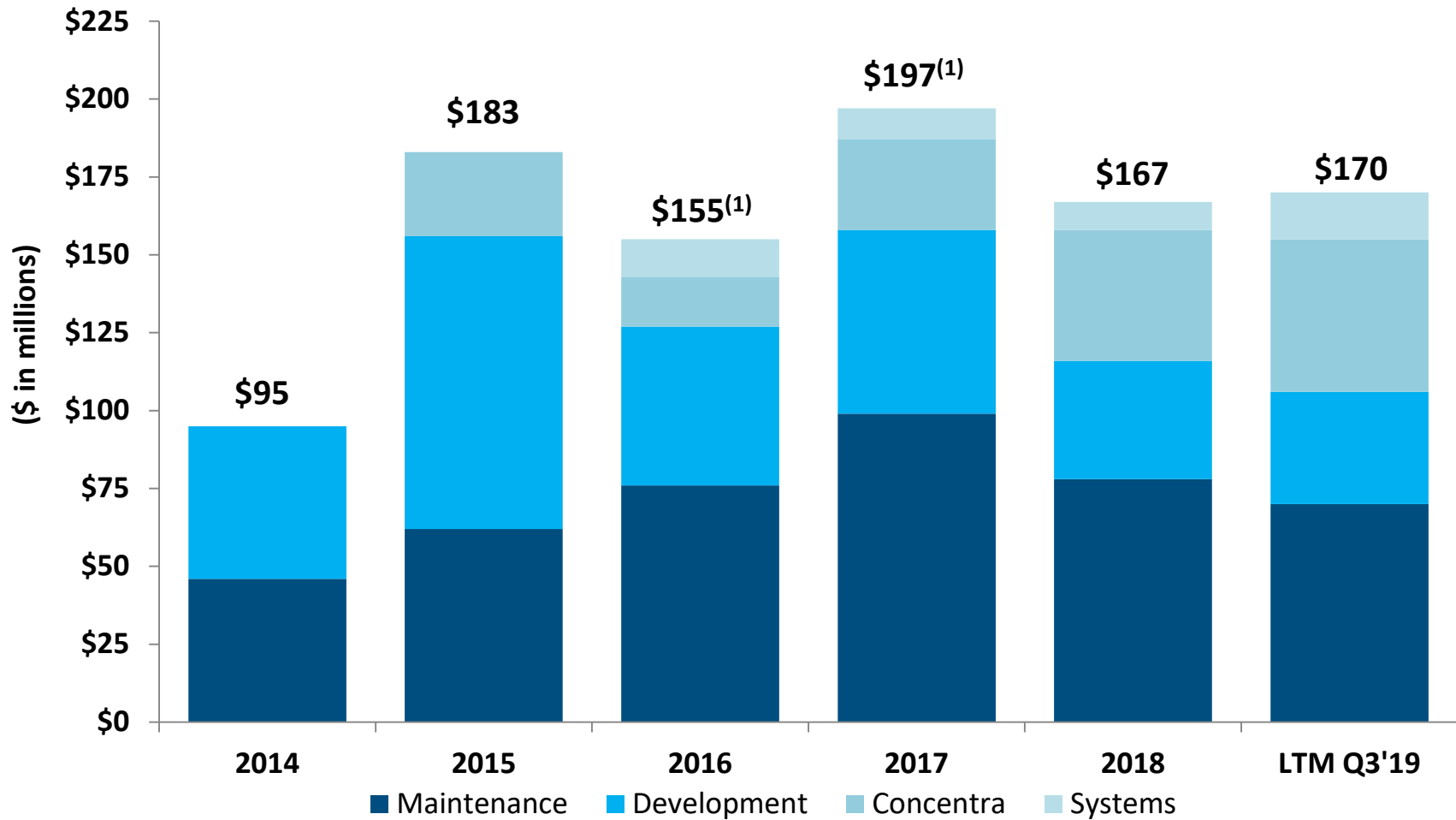


(\$ in millions) ■ LTCH ■ IRF ■ Outpatient ■ Concentra

(\$ in millions) ■ LTCH ■ IRF ■ Outpatient ■ Concentra

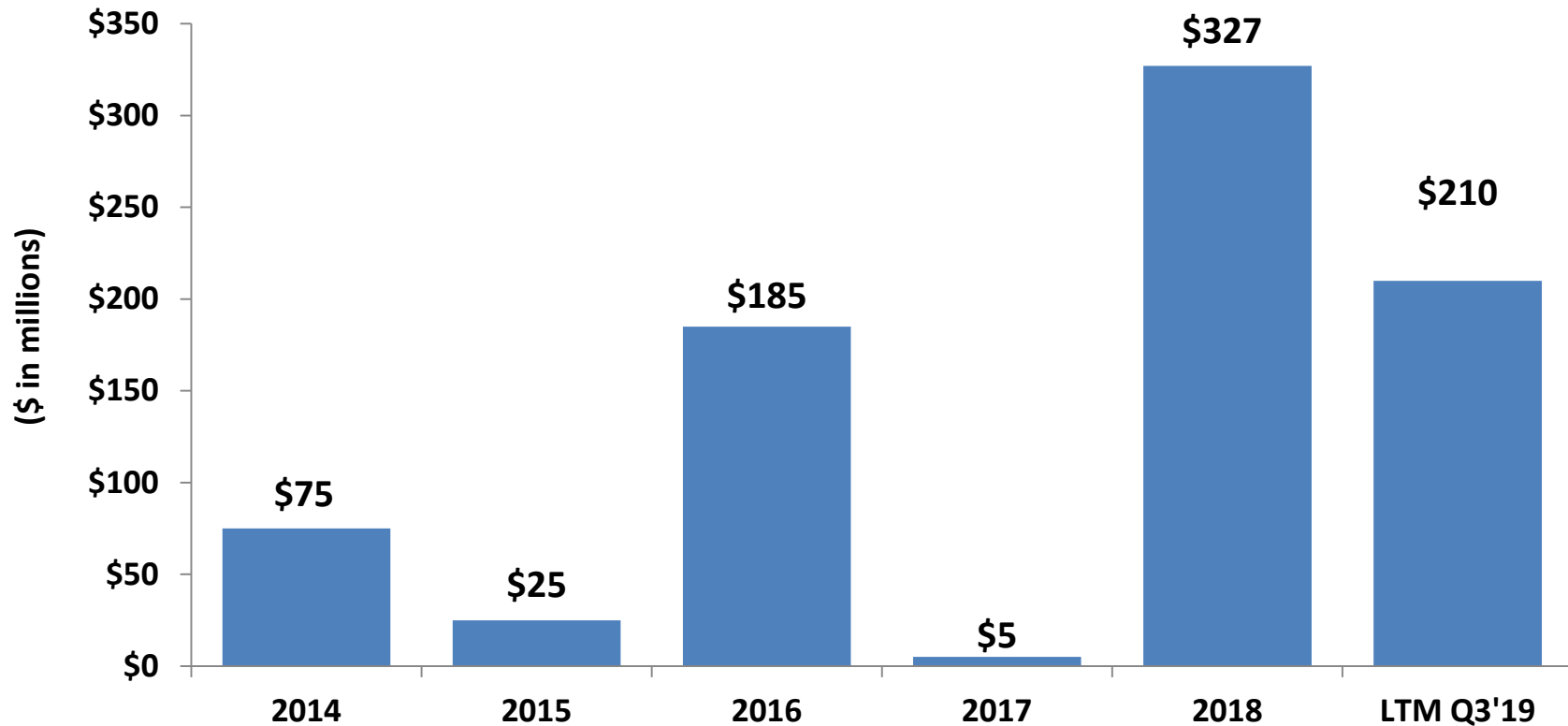
Note: ⁽¹⁾ See Slide 34 for non-GAAP reconciliation

Capital Expenditures



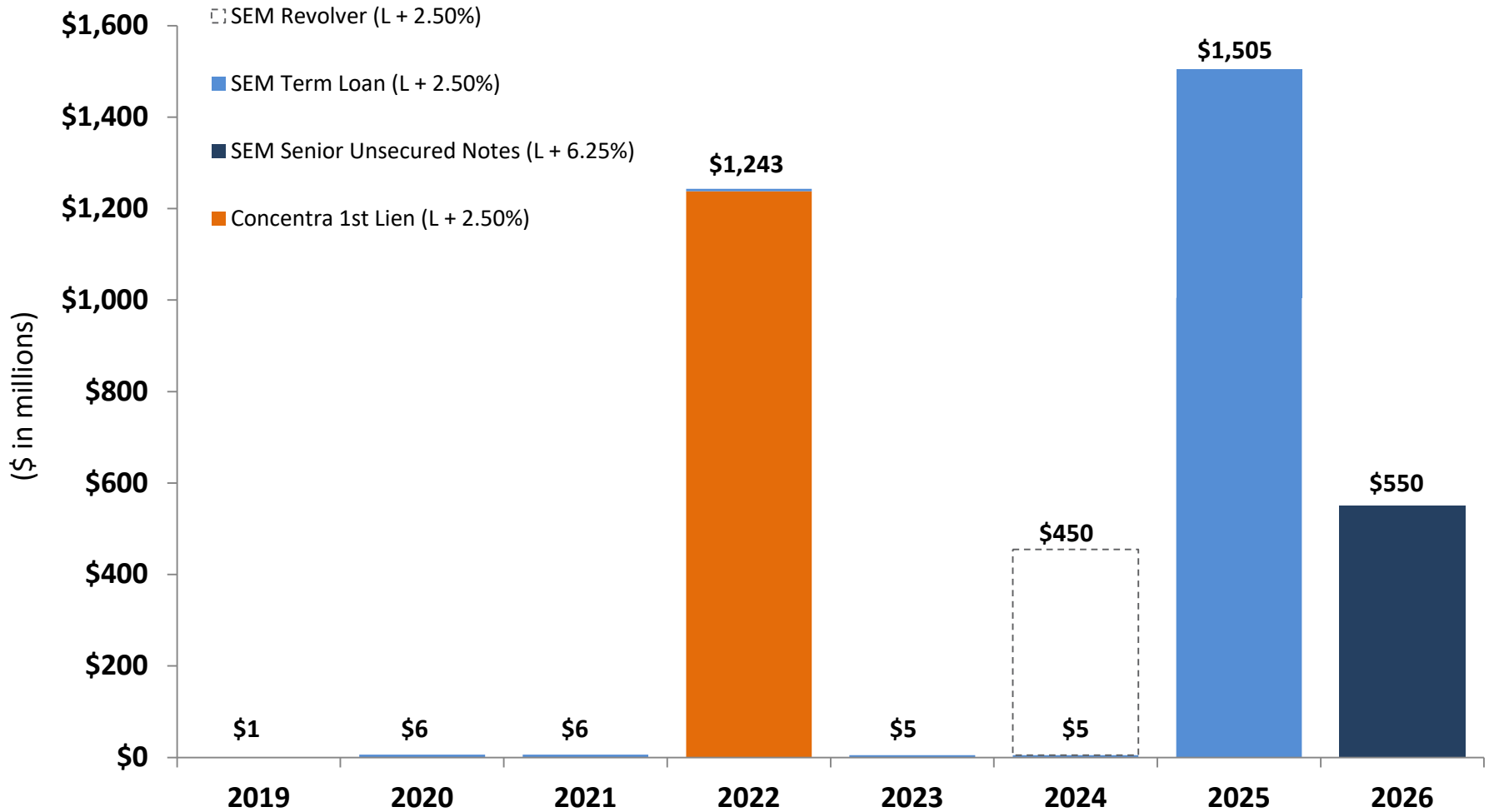
(1) Excludes development capital related to the recapture of capital expenditures of \$7M from 2016 and \$36M from 2017 that Select funded on an interim basis, which we were reimbursed in 2017.

Free Cash Flow



Note: Free cash flow is operating cash flow less all capital expenditures. See slide 34 for non-GAAP reconciliation.

Debt Maturities as of 9/30/19



No borrowings outstanding under SEM's \$450mm Revolver

Financial Guidance 2019



Net Revenue	\$5,375M - \$5,425M
Adjusted EBITDA	\$685M - \$700M
EPS	\$1.00 - \$1.06
Adjusted EPS	\$1.07 - \$1.13

Note: See Slide 35 for Financial Guidance 2019 non-GAAP reconciliation

Appendix: Additional Materials

Non-GAAP Reconciliation



	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>LTM Q3 '19</u>
Net Income	\$128	\$136	\$125	\$220	\$177	\$187
Income tax expense (benefit)	76	72	56	(18)	59	63
Equity in losses/(earnings) of unconsolidated subsidiaries	(7)	(17)	(20)	(21)	(22)	(26)
Interest expense, net	86	113	170	155	198	207
Loss on debt retirement	2	-	12	20	14	23
Other (Gains) / Losses	-	(30)	(42)	-	(9)	(7)
Concentra/Physio/US HealthWorks acquisition costs		5	3	3	3	-
Depreciation and Amortization	68	105	145	160	202	213
Stock Based Compensation	11	15	17	19	23	26
Adjusted EBITDA	\$364	\$399	\$466	\$538	\$645	\$686
Net Cash Provided by Operating Activities	\$170	\$208	\$347	\$238	\$494	\$380
Purchases of Property and Equipment	(95)	(183)	(162)	(233)	(167)	(170)
Free Cash Flow	\$75	\$25	\$185	\$5	\$327	\$210

(\$ in millions)

Financial Guidance 2019

Non-GAAP Reconciliation



	Range	
	Low	High
Net income attributable to Select Medical	\$ 135	\$ 143
Net income attributable to non-controlling interests	<u>58</u>	<u>61</u>
Net income	193	204
Income tax expense	64	68
Interest expense	202	202
Equity in earnings of unconsolidated subsidiaries	(25)	(25)
Gain on sale of businesses	(7)	(7)
Loss on early retirement of debt	<u>19</u>	<u>19</u>
Income from operations	446	461
Stock compensation expense	27	27
Depreciation and amortization	212	212
Adjusted EBITDA	<u>\$ 685</u>	<u>\$ 700</u>

(\$ in millions)



selectmedical.com/investor-relations/for-investors